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SECOND ANNUAL GENERAL REPORT
OF THE COUNCIL
OF THE
CORPORATION OF FOREIGN
BONDHOLDERS.

*Incorporated on the First of August, 1873,
by Licence of the Board of Trade.*

FOR THE YEAR 1874.

TO BE SUBMITTED TO THE GENERAL COURT OF
MEMBERS OF THE CORPORATION,
CONVENED FOR WEDNESDAY,
THE 17TH OF FEBRUARY, 1875, AT 12 O'CLOCK NOON,
AT THE COUNCILHOUSE, 10, MOORGATE STREET,
IN THE CITY OF LONDON.

LONDON:
COUNCILHOUSE, No. 10, MOORGATE STREET,
9TH FEBRUARY, 1875.

THE CORPORATION OF FOREIGN BONDHOLDERS.

*Incorporated by Licence of the Board of Trade,
1st August, 1873.*

NOTICE IS HEREBY GIVEN, that the SECOND ORDINARY GENERAL COURT of the CORPORATION of FOREIGN BONDHOLDERS will be held at the COUNCILHOUSE, No. 10, MOORGATE STREET, in the City of London, on WEDNESDAY, the 17th day of FEBRUARY, 1875, at Twelve o'clock noon:—

To consider the Report of the proceedings of the Council; some additions to, and modifications of, the Rules and Regulations; the Statement of Accounts made up to the 31st December, 1874; to elect Auditors for the ensuing year, and to transact all such other business as may be transacted at Ordinary Meetings of the Corporation, and to pass Resolutions thereon.

By Order of the Council,

HYDE CLARKE,
Secretary.

COUNCILHOUSE,
10, MOORGATE STREET, E.C.,
9th February, 1875.

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MEMBERS OF THE COUNCIL.

ISIDOR GERSTENBERG, Esq., <i>Chairman.</i>	
THOMAS MATTHIAS WEGUELIN, Esq., M.P.	} <i>Deputy</i>
SIR JOHN LUBBOCK, BART., M.P., F.R.S.	} <i>Chairmen.</i>
GENERAL SIR GEORGE BAL- FOUR, K.C.B., M.P.	CHARLES MAGNIAC, Esq.
FRANCIS BENNOCH, Esq.	ROBERT MARTIN, Esq.
GEORGE AUGUSTUS FREDERICK CAVENDISH BENTINCK, Esq., M.P.	HON. HUGH McCULLOCH.
LIONEL N. BONAR, Esq.	SAMUEL MONTAGU, Esq.
JOHN HENRY DANIELL, Esq.	JOHN PATERSON, Esq., ALDERMAN.
ROGER EYKYN, Esq.	SIMON REUTER, Esq.
R. N. FOWLER, Esq.	SIR JOHN ROSE, BART., K.C.M.G.
FREDERICK ALERS HANKEY, Esq.	SIR PHILIP ROSE, BART.
GROSVENOR HODGKINSON, Esq.	GEORGE SCHLOTEL, Esq.
THE HON. ARTHUR KINNAIRD, M.P.	CORNELIUS SURGEY, Esq.
ALEXANDER VISCOUNT KIRK- ALDIE.	WILLIAM TROTTER, Esq.
SIR FRANCIS LYCETT.	HENRY TUDOR, Esq.
	ADMIRAL SIR PROVO WALLIS, G.C.B.
	GEORGE WYTHES, Esq.

Secretary.

HYDE CLARKE, Esq.

Chief Translator and Superintendent of Records.

H. SCHIRGES, Esq.,

Assistant Secretaries.

E. KOZHEVAR, Esq. | H. V. LINDON, Esq.

Standing Counsel and Draftsman.

T. W. SNAGGE, Esq.

Solicitors.

Messrs. J. TRAVERS SMITH AND Co.

Messrs. NORTON, ROSE, NORTON, AND BREWER.

Notary.

WILLIAM GRAIN, Esq.

Bankers.

Messrs. ROBERTS, LUBBOCK, AND Co.

Advising Engineer.

THOMAS RUMBALL, Esq., M.I.C.E.

SECOND REPORT OF THE COUNCIL OF THE CORPORATION OF FOREIGN BONDHOLDERS.

REPORT OF THE COUNCIL

*On the Financial Situation and Administration of Affairs
of the Corporation*

FOR THE YEAR 1874.

THE accompanying accounts show that the sum paid by the Permanent Members of the Corporation has undergone a slight modification during the past year. The Council have resolved to confer the privilege of Permanent Membership henceforth only upon such Bondholders as, from their position, shall be likely to be of service to the general interest.

It is intended to invite the bondholding public at large to join the Corporation, as Life Members and Annual Subscribers, as soon as the arrangements for rendering important services and advantages shall have been more fully developed.

The subscriptions will form an additional source of income, which at present consists of dividends on investments, charges to special Commissions of Bondholders acting in co-operation with the Council, for the use of the offices and staff of the

Corporation ; payment for agency for superintending the collection of revenues assigned to some foreign loans, and from charges on effecting arrangements of foreign bonds under default.

These items, although as yet only partially received, have more than sufficed to cover the expenditure of the year ; and when finally collected, will enable the Council to effect a repayment with five per cent. interest of a not inconsiderable amount of the Bonds of the Permanent Members. The entire capital of the Corporation is invested in the premises of the Councilhouse, in public securities, and in outlays for various Bondholders' Committees.

From the general report of the Council it will be seen how numerous are the transactions already in hand, and from the condition of several Foreign Loans in the market, it is evident that the business of the Council will be considerably augmented. It may be safely assumed that the matters under consideration, when carried out, will produce a revenue sufficient to discharge the advances of the Permanent Members. Although the speedy refunding of the sum of £100, contributed by each Permanent Member, is not a matter of paramount importance, as the great advantage to be derived from the institution is the protection of the interests of the holders of Foreign Bonds, yet it is highly desirable on other grounds. So long as the Council feel that they deal with the funds supplied by the original subscribers for the benefit of the whole bondholding community, they deem it their duty to be very economical in their disbursements and to stipulate for some return in case of successful arrangements, as provided by the following clause of the rules and regulations.

64. "The expenses incurred by the Corporation in the arrangement of a Foreign Loan under default, and a fair and moderate commission (applicable towards the public

“objects of the Corporation, and the gradual repayment of the funds advanced by the Permanent Members of the Corporation) shall be paid by the Government with which the arrangement has been effected. In cases where that condition cannot be fully obtained from such Government, the Council will urge its partial compliance, and failing therein, the expenses and commission shall be paid by the Bondholders, by a *pro rata* contribution.”

In cases of arrangements of Foreign Loans, there are generally some parties antagonistic to a settlement, and often either the negotiating Governments or some Bondholders wish to enforce their own peculiar views or terms upon the Council, which may be contrary to the general interest. On such occasions these several parties have an easy means of attack, by suggesting that the Council is influenced by the motive of effecting a settlement on account of charges to be made for the services rendered. Those indulging in such insinuations are fully aware of their groundlessness; the Council render their services gratuitously, no profits are divisible among the Members of the Corporation, and the whole revenue (after repayment of the advances of the Permanent Members) is applicable exclusively to the public and general objects of the institution. Yet it might occasionally weaken and embarrass the action of the Council in important cases, when a large outlay for the appointment of official agents and Special Commissioners abroad may be required, to be restricted on financial grounds as to such outlay. The refunding of the advances received, and the possession of a sufficient fund derived from the sources above enumerated, will enable the Council to incur, whenever necessary, the whole outlay required, irrespective of any condition of eventual repayment, and this alone will effectually put a stop to such insinuations as have been alluded to. Three Members of the Council have recently

gratuitously undertaken important missions at great sacrifice of time and convenience, namely :—The Chairman, Mr. Gerstenberg, to the Congress of International Law at Geneva, Mr. Hugh McCulloch to Virginia, and Mr. Roger Eykyn to Madrid.

The advantages conferred, and the services rendered to the Members, were thus described in the Report of last year:—

“A convenient Reading Room has been prepared for the Members. Besides English newspapers and financial periodicals, a number of foreign journals have already been provided, and official gazettes and journals from all countries which have contracted loans in England will be collected, as also all pamphlets, publications, reports and documents that may appear on the subject of Foreign Loans. A Library, to consist of a complete collection of works on finance, commerce, railways, public works and political economy, especially as relating to foreign countries indebted to British Bondholders, is in course of formation. The Government of the United States and other countries have kindly made a valuable contribution to this undertaking, and there is reason to expect similar acts of courtesy from other Governments. It has been suggested by some Members that lectures on subjects of Foreign Securities should periodically be given from time to time in the Hall of the Corporation, and the suggestion will be duly considered. The Council have appointed agents in various countries, from whom they receive valuable information, which they place at the disposal of the Members. Measures are being adopted for appointing agents in every country in whose financial position the Bondholders are interested. The Council have in many instances given letters of introduction to Members of the Corporation to their Foreign Agents. The Council have always been ready to lend their good

offices to Members in their relations with Foreign Governments, and they have been able to render valuable assistance in cases of unsettled claims, of concessions requiring extension of time, of lost and stolen Bonds, by supplying authenticated certificates, and in various other ways.

“To the numerous Members who have applied verbally or in writing, every information procurable by the Council has been given respecting the conversion of Bonds, the payment of Coupons, and all other subjects relating to Foreign Bonds.

“The foregoing are some of the advantages incidental to membership of the Corporation, but the chief objects of the institution are the vindication and protection of the rights and interests of the holders of Foreign Bonds, and the maintenance of the public credit of Foreign Governments, by the propagation of sound doctrines with respect to the punctual fulfilment of their financial engagements, especially towards foreign creditors.”

From the General Report of the transactions of the last year now presented, it will be seen that the above programme has been adhered to, and carried out to a great extent, especially as regards the increase of the library, journals, and financial documents, and the means afforded to the Members and the general public for obtaining information on numerous important points. In some cases, that information has been of especial value; where holders of bonds of old dates and of unconverted bonds and certificates were unable to ascertain the mode of dealing with them, the Council procured the information which enabled them to encash them, or realise their value. With the view of giving to the Members still further facility for obtaining with the least trouble information on any subject of interest respecting Foreign Bonds, it is proposed to furnish each Member who

shall apply for the same with a book of printed forms of inquiry, with counterfoil, to be addressed to the Secretary. A form is enclosed, and the Council will be glad to receive any suggestions for improvement.

The above Report, and the Statement of Accounts, and some modifications and additions to the Rules and Regulations, are hereby submitted to the Members for their consideration and adoption. The election of Auditors for the current year will also take place.

I. GERSTENBERG, *Chairman.*

HYDE CLARKE, *Secretary.*

YEARLY REPORT ON TRANSACTIONS, 1874.

The Council resume their task of laying before the Members of the Corporation and the Bondholders a brief account of some of their chief transactions carried on in their common interest.

SPAIN.

Spanish General Committee.

The Right Honourable Lord Hampton, G.C.B., <i>Chairman.</i>	Chas. John Croke, Esq. Colonel the Honourable H. B. Dalzell.
I. Gerstenberg, Esq., <i>Chairman of the Council of Foreign Bondholders.</i>	Geo. Dibley, Esq. R. Dixon, Esq. W. Duncan, Esq.
Augustus B. Abraham, Esq.	Roger Eykyn, Esq.
General Sir George Balfour, K.C.B., M.P.	J. Figgins, Esq., Alderman. Henry I. Fotherby, Esq., M.D.
Dr. A. Benisch.	Captain T. Fuller.
F. Bennoch, Esq.	Commissary-General R. M. Gardiner.
W. H. Bishop, Esq.	James Gardner, Esq.
A. Blackburne, Esq.	Robert Gardner, Esq.
Lionel N. Bonar, Esq.	John Goddard, Esq.
Sir Antonio Brady.	Wm. Grain, Esq.
Edmund Burke, Esq.	G. de G. Griffith, Esq., M.D.
Andrew Cassels, Esq.	W. Griffith, Esq.
M. Castello, Esq.	Rev. W. B. Harrison.
Ed. Chadwick, Esq., C.B.	Spencer Herapath, Esq.
John Collinson, Esq.	Geo. Herring, Esq.
Captain Craigie.	Rev. W. Hodgson.
Robert Crawshay, Esq.	

W. Hopkinson, Esq.	Christopher Rowlands, Esq.
E. J. Hutchins, Esq.	Thos. Rumball, Esq., C.E.
E. Jeggins, Esq.	Sir Charles Russell, Bart., M.P.
Jas. Birch Kelly, Esq.	Dr. Max Schlesinger.
Thos. Kent, Esq.	Thomas Sidney, Esq., Alder-
Capt. Gilbert T. Key, R.N.	man.
Arthur Kimber, Esq.	H. Skynner, Esq.
G. I. Leon, Esq.	H. Solomon, Esq.
C. E. Lewis, Esq., M.P.	General Edward Studd.
Chas. Magniac, Esq.	C. Surgey, Esq.
W. H. Mogg, Esq.	John Vade, Esq.
Rev. M. N. Nathan.	General J. L. Vaughan, C.B.
H. N. Nissen, Esq.	Lieut.-Col. Vickers.
A. Northen, Esq.	Hon. Fredk. Walpole, M.P.
Parkinson Oates, Esq., M.D.	Chas. Waring, Esq., M.P.
John Paterson, Esq., Alderman.	Count M. G. de Wezele.
H. A. Powell, Esq.	J. H. Wolton, Esq.
M. J. Power, Esq.	Edwd. Wright, Esq.
C. W. Price, Esq.	G. Wythes, Esq.
J. Remfry, Esq.	<i>Secretary of the Committee.</i>
D. Robinson, Esq.	Hyde Clarke, Esq.
Chevalier de Rosaz.	<i>Agent in Madrid.</i>
Sir Philip Rose, Bart.	John Hamilton, Esq.
L. M. Rothschild, Esq.	

On the death of Lord Westbury, Lord Eustace G. Cecil, M.P., accepted the Chairmanship of the General Committee of Spanish Bondholders but before he could exercise his functions he was compelled to withdraw, in consequence of taking office under the present Government.

Under these circumstances it was a source of gratification to the Bondholders that Lord Hampton, G.C.B., himself a Bondholder, and a statesman well known on the Continent, consented to become Chairman. He has continued to fulfil the duties of that office, and has rendered invaluable

service to the Bondholders in his place in the House of Lords, in conference with the Secretary of State for Foreign Affairs, in the conduct of the negotiations, and in presiding over the deliberations of the Bondholders.

Early in 1874, the Minister of Finance of Spain, Señor Echegaray, showed a disposition to settle the two overdue coupons of the External Debt by means of Pagarés of Rio Tinto and of Bienes Nacionales. These Pagarés are Mortgage Bonds for the payment of the annual instalments of the purchase money of the Rio Tinto Mines and other national property.

Negotiations were unremittingly carried on simultaneously in London and Madrid; at the latter place by the Resident Agent of the Council and two special delegates accredited for that purpose. The definite proposal of the Government was officially communicated to the Council through the Spanish Ambassador in London on the 28th February, 1874. A General Meeting of the Bondholders was convened for the 6th March, when the proposal of the Government was accepted all but unanimously.

The necessary formalities having been duly complied with, a definite contract with the Government was signed on the 4th April last, and approved by the Council of Ministers.

Señor Echegaray proceeded to fulfil his engagements, and had every prospect of being rewarded by a revival of the credit of Spain. The Council obtained the payment of £265,000 to redeem the first Pagaré, constituting the binding consideration for the contract, and the Rio Tinto Pagarés were forwarded to the Fiscal Agency in London, to be deposited in the Bank of England.

Difficulties, however, arose in connection with the delivery of the Bienes Nacionales Pagarés, against which a prior claim was set up by the Banco Hipotecario of Madrid. During the negotiations which ensued, a change in the

Spanish Cabinet took place; Señor Camacho replaced Señor Echegaray as Minister of Finance, and with him the negotiations were for some months fruitlessly continued.

On the 28th June, official decrees of the Minister were published, which appropriated to other purposes the Rio Tinto Pagarés and the Pagarés of Bienes Nacionales, which had been solemnly pledged to the Bondholders, and proposing as an alternative, settlement of the three coupons—a third then becoming due—a system of quarterly Dutch Auctions, in which all the holders of coupons were periodically to bid against each other for the lowest sum at which they were willing to participate in the distribution of a portion of the money. Delegations of £250,000 quarterly on the Bank of Spain, forming part of this scheme, subsequently turned out to be unavailable.

The injury inflicted on Spain by the failure of this scheme so seriously impaired the credit and contracting power of the country that the revenues had to be hypothecated for trivial advances, partly in coupons and paper, leaving the Treasury entirely denuded of funds.

The publication of this decree, and the removal from London of the Rio Tinto Pagarés rendered it necessary to make an appeal to the Foreign Powers having representatives in Spain, or whose subjects were aggrieved.

Every possible measure was taken by the Council for the protection of the Bondholders.

A formal protest was lodged at Madrid against what was deemed a breach of faith. The public press of Europe, and to some extent that of Madrid, strenuously supported the claims of the Bondholders.

Some intimation of a genuine desire on the part of the Government of Marshal Serrano to effect a settlement with the Bondholders having eventually been received here, Mr. Roger Eykyn, a Member of the Council, undertook the task

of representing the Bondholders, and proceeded to Madrid on the 4th December, provided with the necessary instructions and powers, and accompanied by Mr. Ewart, a member of the official staff of the Council. Certain bases for a modified contract were agreed upon between Mr. Eykyn and the Minister, comprising a settlement of the three overdue coupons, by delivery to the Bondholders of the Rio Tinto Pagarés for about 30 per cent. of the amount of such coupons, and, for the balance, Three per Cent. External Bonds at the rate of 40 per cent. Approval, by a general meeting, preliminary to the conclusion of a definite contract, was insisted upon. Mr. Eykyn accordingly returned to London, and rendered an account of his mission to the general meeting of Bondholders, held on the 29th December, Lord Hampton in the chair. The meeting accepted, by an overwhelming majority, the bases of the modified arrangement.

Although, as might be expected, some objections were put forward by a few dissentients, the conviction ultimately prevailed, that in the present denuded condition of the Spanish Treasury, it was out of the question to look for payment in cash, and that the refusal of the securities offered, comprising in part negotiable promises to pay, would only result in their being diverted elsewhere.

Subsequent events have amply confirmed the wisdom of the decision arrived at, for it is no secret that the finances of Spain are being strained to the utmost to provide means for the re-establishment of the Government. Other coupons, it must be remembered, will be falling due, and the accumulation of debt might ultimately become too great to be met—a state which could in no way conduce to the interests of the Bondholders, whose prospects depend upon the pacification of Spain and the improvement of her resources.

Within two days of the Meeting of the Bondholders, a

general movement placed Don Alfonso on the throne of Spain, but the Council had already, in the anticipation of all contingencies, provided for pressing the completion of the contract. Mr. Eykyn, without delay, and at great personal inconvenience, again departed for Madrid, and so well profited by circumstances that, not only was the contract completed with Señor Salaverria, appointed Minister of Finance, but it received the sign manual of the newly-installed King as one of the first acts of his reign.

The execution of this contract and the adoption of the necessary arrangements will now occupy the attention of the Council, as well as the adjustment of the fourth coupon due on the 31st December, 1874.

The straightforward and honourable manner in which Señor Salaverria has treated the engagements he found subsisting at the time of his accession to office, inaugurate, it is to be hoped, a new era in the mode of dealing with financial matters in Spain.

All advices lately received tend to show that he has done his best to satisfy the claims of the Bondholders, and although their full rights have not have been obtained, the assertion of these, under present circumstances, is obviously out of the question. The Council think it right to place on record their sense of the obligation they feel towards the Rio Tinto Company for their cordial assistance and co-operation in the conduct of this business. Without this, there can be little doubt that the subject would have been so complicated that dealing with the Pagarés would have been extremely difficult.

When the coupon due on the 1st of October last on the Spanish Six per Cent. Land Mortgage Loan fell into arrear, the Council made the necessary representation in the proper quarters, and they had the satisfaction of announcing, shortly afterwards, that the Bank of Castile had concluded their

arrangements with the Government, and that the coupons due had been called in for presentation on and after the 14th December.

The Council have, through their agent in Spain, and in co-operation with the Frankfort Committee, assiduously pressed the claims of the holders of the Madrid Municipal Loan, and they are glad to see that, coincident with the installation of the new Government, provision has been made for the payment of obligations drawn in 1871.

PORTUGAL.

The Council have great gratification in stating that the increasing prosperity of this country has enabled it to obtain the requisite funds on moderate terms from native subscribers.

The fiscal authorities of Portugal have rendered effective assistance to the Council on their application for a certificate of the Loan of 1853 which was lost by a Bondholder, and whereby the bond, in accordance with the custom of the Stock Exchange, had become unmarketable.

ITALY.

The claims of the Bondholders on the Italian Government have been a subject of constant solicitude to the Council.

The Council have had during the year a somewhat lengthy correspondence with the Italian Government on the subject of a heavy tax to which the holders of Italian Rentes have been subjected. The Government required compliance on the part of holders and bankers, on the payment of

coupons, with certain formalities,* against which the Council and many of their Foreign correspondents deemed it right to enter a protest.

On the occasion of the July coupon falling due, the indignation of the bankers was more formally expressed, and the Council received an application from a large number of bankers, which enabled them to make a forcible representation to the Italian Government. In this they were strongly supported by the Bank of England, and received material assistance from representations made by the houses of the Messrs. de Rothschild, in London and in Paris. This representation was signed by the following bankers :—

Robarts, Lubbock and Co.	Prescott, Grote and Co.
Glyn, Mills, Currie and Co.	The Consolidated Bank, Limited.
The Union Bank of London.	The City Bank.
Martin and Co.	The National Bank.
The London and County Bank.	The National Provincial Bank
The London and Westminster	of England.
Bank.	The Bank of Scotland.
Smith, Payne and Smith.	Willis, Percival and Co.
Barclay, Bevan, Tritton and Co.	Bosanquet, Salt and Co.
Barnetts, Hoares, Hanburys and	The National Bank of Scotland.
Co.	Alexanders, Cunliffes and Co.
Williams, Deacon and Co.	Samuel Montagu and Co.
Brown, Janson and Co.	Hoares and Co.
Fuller, Banbury and Co.	Goslings and Sharpe.
Brooks and Co.	Praeds and Co.
The London Joint-Stock Bank.	A. Twining and Co.
Cunliffe, Roger, Sons and Co.	Coutts and Co.
Dimsdale, Fowler, Barnard and	Drummond and Co.
Co.	Herries, Farquhar and Co.
The Imperial Bank, Limited.	Ransom, Bouverie and Co.
The Alliance Bank, Limited.	Charles Hopkinson and Son.

* Vide Annual Report of the Council of Foreign Bondholders for 1873, p. 17.

The Bank of Egypt, London.	The London and Provincial Bank, Limited.
The London and Yorkshire Bank, Limited.	The General Credit and Discount Company, Limited.
The Bank of New South Wales.	The Midland Banking Company, Limited.
The Bank of Australasia.	The Commercial Bank Company of Sydney, London.
The Bank of Victoria.	The Anglo-Hungarian Bank.
The Central Bank of London, Limited.	The National Bank of Australasia.
The Metropolitan Bank, Limited.	The Oriental Bank Corporation.
The London and South-Western Bank, Limited.	The Bank of South Australia.
The Agra Bank, Limited.	The London and San Francisco Bank, Limited.
The London Banking Association.	The Bank of Alexandria, Limited.
The Bank of New Zealand.	The Hong Kong and Shanghai Banking Corporation.
The Anglo-Peruvian Bank, Limited.	The Anglo-Austrian Bank.
The New London and Brazilian Bank, Limited.	
The Bank of Roumania.	
The Union Bank of Australia.	

Besides addressing explanations to the Italian Legations in London and Paris, Baron Alphonse de Rothschild employed his personal influence in an interview with the Prime Minister of Italy at Rome.

The result was that certain modifications of the regulations in England and France were obtained, which, though far from adequate, have been accepted for the time by the bankers.

The Council regret to report that the Sardinian Loan remains in the same unsatisfactory condition.

GREECE.

Agent of the Corporation of Foreign Bondholders for Greece :
CAPTAIN STAB (Constantinople).

Representative of the Bondholders of Holland : MR. LEWIS
DRUCKER.

The mission of Mr. Lewis Drucker to Athens on behalf of the Netherlands Bondholders encountered considerable resistance at the hands of some public men and journalists in Greece, but, supported by the Corporation of Foreign Bondholders, it appears to have made a deeper impression than could have been anticipated.

It has been recognised that the Bondholders of England and Holland have taken up a firm attitude, that it is useless to play off one section against another, and that there is little probability of any inadequate compromise being accepted. Under these circumstances the question of the restoration of Greek credit must be more seriously considered by the statesmen of Greece.

The necessities of Greece and the fact that the Greek merchants and capitalists of Constantinople, Alexandria, and Odessa, who are engaged in large financial operations, can find more money for Turkey than for Greece, begins to influence the politicians of Athens. The time may not have arrived when a settlement of the claims of the Bondholders can be effected, but it is a favourable symptom that proposals of more or less weight are now being frequently put forward. The Greeks begin to find, what they have often denied, that not only can they recognise the loans, but that they can find funds for their payment. It is deeply to be regretted that ill health has prevented Mr. Lewis Drucker from revisiting Athens.

Meanwhile, the Council continue to devote their attention to the subject of Greek Finance. The condition of the public debt of Greece is a serious reflection upon that country and its citizens.

TURKEY.

Joint Commissions for the Ottoman Loans of 1858 and 1862.

I. Gerstenberg, Esq., <i>Chairman.</i>	<i>Secretary.</i>
Francis Bennoch, Esq.	Hyde Clarke, Esq.
John Paterson, Esq., <i>Alderman.</i>	<i>Agent in Constantinople.</i>
H. A. Withers, Esq.	Captain Stab.

The arrangement made between the Joint Commissions and the Ottoman Government with regard to the remittances for the 1858 and 1862 Loans has been carried out during the past year.

The Commissions have felt it necessary, while closely watching the measure, to make some representations to the Imperial Ottoman Bank with regard to the period of publication of the advertisements in London, which have been on several occasions unduly delayed.

During the year, negotiations for a new Five per Cent. Loan for a large amount were carried on in Paris between His Excellency Sadik Pasha, on the part of the Turkish Government, and certain capitalists. Frequent communications upon this subject took place between the Council and that Minister, and it was therefore thought desirable to retain for some months in London Captain Stab, the resident Agent of the Council at Constantinople. The Council were thereby put to some temporary inconvenience in the conduct of their Constantinople Agency.

Some anxiety was manifested with regard to the proposed extended functions of the Imperial Ottoman Bank as a State Bank, and the consequent modification in the arrangements in relation to the Budget and the administration of the revenues. In the opinion of some Bondholders, the relations existing between the Turkish Government and the holders of the 1858 and 1862 Loans had undergone modifications, owing to the new arrangements entered into between that Government and the Bank. With the view of asserting, under any circumstances, the rights of the Bondholders, the Council sought explanations from the Imperial Ottoman Bank, who in reply stated that they did not recognise any change in the relations, and the Council have notified that the Bondholders regard them as holding the monthly remittances, in their character of bankers, for the account of the Bondholders of the respective Loans.

The relations which now exist more directly between the Turkish Government and the Council cannot fail to prove of material advantage, and the Council have provided for the prolonged maintenance of the Agency in Constantinople, which is also the centre for correspondence with the Governments of Greece, Egypt, Roumania, and Servia.

Towards the close of the session, Mr. Forsyth, M.P. for Marylebone, on the representations of Mr. Corfield, an influential Bondholder, moved for the correspondence relating to the 1858 and 1862 Loans. This was readily acceded to by the Foreign Office, and the correspondence has been published in a Parliamentary Return which contains the numerous letters, dating from 1861, of Mr. Meadows, Messrs. Hutchinson and Seymour, Mr. J. A. Franklin, Mr. Corfield, the Council, and others, and will be found useful in its bearing on many important questions affecting the interests of Turkish Bondholders.

TUNIS.

The debt of Tunis, Interior and Exterior, the latter chiefly held in France and Italy, was consolidated in 1869, and through the powerful influence of the French Government, a Commission was formed, the Members of which are nominated by the English, French, and Italian Bondholders, and presided over by an Inspector of Finances appointed by the French Government, to whom, with a view to provide for the due payment of the interest on the debt, and its gradual liquidation by a Sinking Fund, the customs revenues are assigned. The interest has been regularly paid, and some progress made in forming a Sinking Fund.

The Regency of Tunis is at present neither so well populated, nor is its soil as well cultivated as its natural resources would admit. The restoration and extension of the old works of irrigation, the formation of roads, canals, and railways, and an improvement in the means of landing and shipping goods, would, with a revised and simplified customs tariff, greatly promote the well-being of the country and people. Tunis, the capital of the Regency, has, with its widely-scattered suburbs, a population of about 100,000, and is well supplied with abundance of good water, by means of water-works, carried out at the expense of the State. The country possesses some deposits of lead and iron, but too little is at present known respecting the qualities of the ores, or the conditions as to the Government rights, and the cost of labour and transport, on which it would be possible to work them, so as to attract foreign capital on their account. Gas-works, as well as a railway about 24 miles in length, have lately been constructed by English companies, but not with sufficient success to warrant other capitalists in following their example in undertaking other industrial enterprises with foreign capital. There is also a bank, mainly formed by English sub-

scribers, with a small subscribed, and with a still smaller paid-up, capital, but its operations are not as yet publicly known.

LIBERIA.

The default in the payment of the coupon due on the 1st of August last, occasioned by the failure of the contractors, induced several holders of bonds again to ask the Council for their interference. A letter was addressed to the President at Monrovia on the subject, and a reply has been received to the effect that at its next meeting the Legislature will make the necessary provision for meeting the liabilities, and for restoring the credit of the Republic.

UNITED STATES OF AMERICA.

While the credit of the United States Government has been maintained on the highest standard, the credit of several of the Southern States has continued to be impaired, and investors have suffered by numerous defaults on State and railway bonds.

The distress of the South during the civil war was a natural cause of difficulty, and inability to pay was, under the circumstances, regarded with leniency by the creditors.

Although repudiation has not been avowed by the statesmen of the South, the result has been the same. Even those States which had been profuse in promises, such as Alabama, and, to some extent, Virginia, have not as yet come forward to meet their obligations.

During the year there has been considerable financial embarrassment, owing to the great commercial crisis, but the condition of the Treasuries would, in many of the States, have admitted of large payments, had there been a steady disposition to do the best according to means. This has not been

exhibited, but attention having been called to an alleged impossibility of collecting taxes, even where it had been formerly professed that increased taxation had been imposed to provide for their obligations. In the Legislatures there has been manifested but little serious desire to meet State indebtedness, and any expedient has been readily considered which tended to non-payment or postponement; a favourite scheme being to diminish the capital or reduce interest of the debt, or both, and to carry this out by appointing, during the short sessions of the Legislatures, Commissioners directed to treat with the creditors for a settlement.

Much disappointment has been expressed at the disinclination of the aggrieved creditors to co-operate in schemes for selling lands, opening mines and smelting works, and forming railways. It has been plausibly urged that the development of local resources would increase the revenues of the States and augment their means of meeting their obligations. This is true to a certain extent, but it is found by experience in the cases of Mexico and Venezuela that whilst fiscal and individual resources are extended by the construction of public works, there is not necessarily any corresponding desire to discharge the public debt.

The Council regret that they cannot see any such desire evinced by the Executive of the South to re-establish the public credit as would justify the public creditors in favouring the investment of capital in any of the defaulting States.

The Legislatures of several States are now in Session, and the result of their deliberations will best determine the extent of confidence which they are entitled to claim at the hands of the capitalists of Europe. It is to be hoped that the politicians of the South will be able to agree upon some line of policy other than vague declarations, and which will justify a renewal of public confidence.

While the condition of the securities of the Southern States of the American Union has awakened a distrust of the

credit, and lowered the market standard of American investments generally, the default made in respect of a number of railway bonds and shares has produced a no less prejudicial effect. Although these defaults were precipitated by the panic, they would in many cases have been equally inevitable in course of time. Some unfinished undertakings were embarrassed and stopped by the financial crisis, but many of the bonds in default rest upon no solid security, as they were either the issue of unjustifiable speculation or of deliberate fraud, which, however, does not affect the rights of innocent and *bond fide* holders. Money has, in some instances, been raised for one purpose and applied to another.

The necessity for obtaining funds for the construction of public works in some districts has induced local Legislatures to favour any schemes which seemed likely to provide them. Every facility has been given for raising money on bonds, without sufficient guarantees having been secured for the proper application of the funds. In the result, as might have been anticipated, the State and the investors have been subjected to disappointment. The Council have under consideration applications affecting several large investments in American railways, and they have for some time contemplated the formation of an American General Committee, to consist of Members of their body and others conversant with the United States, and to whom cases in connection with such undertakings may be referred.

The aid of the Council has been sought by the English holders of Second Mortgage Bonds of the Columbus, Chicago, and Indiana Central Railroad Company, who claim that the interest on their bonds, which has been in default since August, 1874, is payable by the Pennsylvania Railroad Company under the terms of a guarantee by the latter. It is understood that the Pennsylvania Company deny their legal liability. A preliminary meeting of First and Second Mortgage Bondholders was held at the Councilhouse in

December, and the subject is under investigation by the Council.

It is obviously impossible for the Corporation to embark in lawsuits in defence of the individual rights of Bondholders, but it is believed that much valuable service can in other ways be rendered by the Council. In some instances an independent investigation of the facts may serve to make the parties acquainted with their true position, thereby avoiding litigation, and tending to promote some amicable arrangement. The mere protest of a representative body of the many scattered Bondholders will also, under some circumstances, induce proposals for settlement.

MINNESOTA.

This State issued, in 1858, a loan of \$2,275,000, Seven per Cent. Bonds, to aid the four railroads then in process of construction within her territory.

About the year 1859, the railroads having failed, the State foreclosed the mortgages and handed over the properties, in their uncompleted condition, to new corporations, for a nominal sum. Only one coupon, that due in June, 1859, has been paid. All the others, from and including that due in December, 1859, remain unpaid to this day.

In 1860, the State, by an amendment to her constitution, repudiated the Bonds, and forbade the levy of a tax to pay the interest.

The Council received the facts of the case from a firm in New York, requesting their attention to this act of injustice to the Bondholders, and publicity was given to their letter in the "Times" of March 26, 1874.

It appears that the validity of these Bonds is clear, and their issue was in accordance with the laws of the State.

The Debt of Minnesota, in addition to these Bonds, is only \$450,000, and from reports as to the state of the Treasury, there appears no excuse for persistently refusing to recognise these Bonds, the validity of which has been affirmed in the United States Circuit Court.

INDIANA.

Some action has been taken in the United States by certain scrip-holders of the old Canal debt of Indiana, a complaint having been filed against the Trustees of the Wabash and Erie Canal, to compel them to sell the canal property, its lands and franchises, for the payment in whole or in part of the scrip known as Canal scrip, held by former Indiana creditors residing in America, Holland, England, and France.

VIRGINIA.

Virginian Committee.

Commissary-General R. M.	Morris Cantor, Esq.
Gardiner, <i>Chairman</i> .	E. Charlton, Esq., M.D.
I. Gerstenberg, Esq., <i>Chair-</i>	David Clark, Esq.
<i>man of the Council of Foreign</i>	Charles Clark, Esq.
<i>Bondholders.</i>	John Dabbs, Esq.
Samuel Montagu, Esq., <i>Member</i>	Joseph Hankey Dobree, Esq.
<i>of the Council of Foreign</i>	W. Duncan, Esq.
<i>Bondholders.</i>	C. E. Flower, Esq.
W. Trotter, Esq., <i>Member of the</i>	John Ford, Esq.
<i>Council of Foreign Bondholders.</i>	Algernon Gilliat, Esq.
F. Algar, Esq.	C. E. Habicht, Esq.
Geo. Artingstall, Esq.	E. J. Harris, Esq.
Lieut.-Colonel Aytoun, R.A.	Arthur Horrigan, Esq.
R. L. Baker, Esq.	Chandos Wren Hoskyns, Esq.
Jas. B. Blarney, Esq.	E. Humphreys, Esq.

Henry Joachim, Esq.	Geo. Penson, Esq.
Sir Arnold Kemball, Bart., K.C.S.I., C.B.	Giuseppe A. Pugno, Esq.
Arthur Kimber, Esq.	Geo. T. Rait, Esq.
Silvester L'Amy, Esq.	Geo. Richardson, Esq.
Robt. P. Laurie, Esq.	W. R. Richardson, Esq.
Arthur Leared, Esq., M.D.	Captain W. W. Ross.
G. I. Leon, Esq.	C. Satterthwaite, Esq.
J. L. Mieville, Esq.	Geo. Yule, Esq.
D. Oppenheimer, Esq.	<i>Secretary.</i>
M. J. O'Shaughnessy, Esq.	Hyde Clarke, Esq.

The condition of affairs in Virginia during the last twelve months has been disappointing. After the many protestations that Virginia would duly meet her obligations, Bondholders patiently awaited some acceptable proposal of the Legislature.

The proceedings by no means answered the expectations that had been formed. Not only was no measure taken to restore the funding operations as had been expected, but a partial payment made in respect of the January 1874 coupon was dealt with in an unsatisfactory manner, and no provision was made to meet any subsequent coupons.

The Legislature, during the last days of its Session, was invited by the Bondholders to name delegates, with whom a conference might be held in London. Instead of adopting this suggestion, the Legislature provided for the appointment of Commissioners, who should attend a conference of creditors at Richmond. That no practical advantage could result was foreseen, but no one could have anticipated the total barrenness of the deliberations of the delegates.

In the year 1873, Mr. G. Artingstall, a Member of the Committee, undertook a special mission to Richmond, where he fully stated the case of the Bondholders, but none of the promises held out to him have been redeemed. No invita-

tion to attend, or to be represented at the recent conference held at Richmond, was sent to the Committee, nor did they feel that they could with propriety commit themselves to an acquiescence in proceedings such as were contemplated. In order, however, that the Bondholders might not be charged with disrespect to the State authorities, the Council and Committee requested the Hon. Hugh McCulloch, a Member of the Council, to proceed to Virginia, to report upon any statements and proposals of the Commissioners, which on his return to England might be submitted for the consideration of the Bondholders.

The conference appeared to have been chiefly occupied with the consideration of a scheme for a Four per Cent. Loan, put forward by some Americans, who professed to represent the views of the Bondholders and of the great capitalists of Europe. This scheme was accepted in advance by the Commissioners, and submitted for adoption. It has excited no surprise in London that the Commissioners and the Legislature of Virginia have abandoned this project.

No measures have, however, been taken for resuming payment, and on this subject the policy of the Virginian Executive appears to be one of procrastination.

It is, however, believed by some that there are signs of a more wholesome state of public feeling beginning to be manifested. An assessment made by Virginia imposing upon West Virginia a liability in respect of one-third of the old debt, called forth an expression of dissent on the part of the latter. It was asserted, on the part of West Virginia, that one-third by no means represented a fair allotment of the debt in reference to the public works to which the loan was applied, and of which it was alleged five-sixths were in Virginia, and one-sixth in West Virginia.

Certificates for one-third claim on West Virginia were issued to the creditors by the Executive of Virginia before

any steps for obtaining a judicial decision on the question at issue were taken.

It has lately been decided by the High Court of Appeal of Virginia that Virginia and West Virginia are jointly and separately liable for the old State debt.

The Bondholders have considered that it is not their interest to initiate any proceedings which would establish a distinction between Virginia and West Virginia. They simply look to the firm with whom the loan was contracted, leaving the partners to adjust their own affairs. If the statesmen of Virginia had duly regarded the conciliatory attitude of the Bondholders, they would at once have assumed the whole debt, obtained from the Bondholders such temporary concessions as were needful, arranged in due time with Western Virginia, and placed the credit of Virginia in its former high position.

It may become matter for consideration what course should be adopted by the Bondholders if fair and equitable proposals were at an early date made by Western Virginia. That State would then be entitled to be regarded with sympathy, and, in the event of her proposals being accepted, would have the advantage of access to supplies of capital which would enable her great natural resources to be turned to good account.

The situation of Virginia is one of grave anxiety. The recovery of the country was much impeded by the crisis of 1873, and by the policy of the Legislature of that and the following year.

The financial restoration of Virginia, which had been eagerly hoped for has been gravely retarded. Thus, Virginia may fairly appeal for lenient consideration during her distresses, but she cannot demand more, for she avowedly possesses resources, sufficient in time to redeem every obligation, and leave no excuse for bankruptcy.

NORTH CAROLINA.

Correspondence on the subject of the Finances of this State has been carried on between the Council and a member of the House of Representatives of North Carolina.

Several plans for an adjustment have been under the consideration of the Legislature, and a conference has been convened between the creditors of the State and the Standing Committee on State Debt and Liabilities.

No information has as yet reached the Council of the passing of any Act on the subject, or of the result of the conference, and it is feared that the proceedings are only directed to the creation of delay.

SOUTH CAROLINA.

The finances of this State are in a most unfavourable condition. The new Governor has stated in his inaugural address, that the settlement under the Act passed last winter, by which the existing debt of about twenty-five millions is reduced to between five and six million dollars, must be considered final.

South Carolina Bonds do not appear to be held here to a large extent.

In April, 1874, the shares of the South Carolina Rice Plantation Trust were offered to the public in London, but the fact of the unsatisfactory conduct of the State towards its creditors becoming generally known to the investing public appears to have frustrated any attempt to raise money for the public or private undertakings of a State which is in default with regard to its obligations, and has not dealt equitably with its creditors.

GEORGIA.

This State has, during the past year, resumed payment on its Bonds of 1870, which had been in default since April 1st, 1872; and the Council are informed by Mr. de Tracy Gould, of the American bar, that the recognition of these Bonds by the State was due solely to the efforts of Mr. J. L. Snead, a lawyer of New York, who, at the request of some New York Bondholders, proceeded to Georgia, and by his personal intervention obtained this act of justice for the Bondholders. Mr. de Tracy Gould, in a circular to the Bondholders, requests the payment of 2 per cent. on the full value of all the Bonds which have received benefit from the action of Mr. Snead, being the sum agreed upon and paid to him as commission by the American Bondholders at whose request he undertook the business.

ALABAMA.

Alabama and Chattanooga Committee.

The Right Hon. Lord William Augustus B. Abraham, Esq.	
Montagu Hay, <i>Chairman.</i>	E. d'Eichthal, Esq.
I. Gerstenberg, Esq., <i>Chairman</i>	F. Engelhardt, Esq.
<i>of Council of Foreign Bond-</i>	Baron Emile Erlanger.
<i>holders.</i>	A. Haworth, Esq.
Francis Bennoch, Esq., <i>Member</i>	G. Medley, Esq.
<i>of Council of Foreign Bond-</i>	Edward Riley, Esq.
<i>holders.</i>	T. Sandeman, Esq.
Roger Eykyn, Esq., <i>Member</i>	E. F. Satterthwaite, Esq.
<i>of Council of Foreign Bond-</i>	E. A. Stoeher, Esq.
<i>holders.</i>	T. E. Twycross, Esq.
Sir Philip Rose, Bart., <i>Member</i>	Major-General J. L. Vaughan,
<i>of Council of Foreign Bond-</i>	C.B.
<i>holders.</i>	T. Wilshere, Esq.

Secretary.

Hyde Clarke, Esq.

*Delegate of the Council.*Dr. Jules Levita, *Frankfort a/M.**Bankers for receiving deposit
of Bonds.*Messrs. Robarts, Lubbock and
Co., *London.*Messrs. Koch, Lauteren and
Co., *Frankfort a/M.*

The case of the holders of First Mortgage Indorsed Bonds of the Alabama and Chattanooga Railway of 1869, and of the Eight per Cent. Alabama State Gold Bonds of 1870, has claimed and received the most anxious and unremitting attention of the Council and Committee during the past year, and the Council hope that an equitable settlement of the Bondholders' claims will not be much longer deferred.

No interest whatever has been paid upon these Bonds, either by the Railroad Company or by the State of Alabama, since January, 1872. The subject was first brought to the notice of the Council in February, 1873, when two half-yearly coupons were already in arrear; the property was then in bankruptcy, and the financial condition of the State of Alabama appeared to be such as to afford but little hope of a speedy settlement. The road was in the hands of receivers, who were appointed by the Circuit Court of the United States, and invested with extensive borrowing powers, for the purpose of preserving the property for the Bondholders, and an issue of "Certificates,"* made by these receivers, in the exercise of their borrowing powers, added largely to the liabilities of the undertaking. The Council have had no means of ascertaining the extent to which the property was benefited under

* A form of security not dissimilar to what are termed in England "Lloyd's Bonds."

their management. In July, 1873, new receivers were appointed, who, during the ensuing year, endeavoured with more or less success to make the road self-sustaining. In January, 1874, a decree of the United States Circuit Court, at Mobile, ordered a sale of the road at a minimum price of \$5,220,000, and gave such directions as to the application of the proceeds as would have secured a fair dividend for the First Mortgage Bondholders, in the event of a purchaser being found willing to bid the minimum price or upwards. Upon the road being put up for sale, however, no higher bid than \$3,000,000 was obtained, and the property consequently remains unsold. Meanwhile the Hon. David A. Wells had been appointed by the Council as the Agent for the Bondholders in the United States, and an able counsel had been instructed to protect their interests in the Circuit Court. It became necessary to resist certain claims made in respect of receivers' certificates and other liabilities, which, if admitted, would, under the order of the Court, be entitled to priority over the Bondholders' mortgage. This opposition has been protracted and costly, but on the whole has been successful. The Council have from the first acted in concert with a Committee of Alabama Bondholders formed at Frankfort. A further decree, removing the limit of price imposed by the former order for sale, has recently been obtained at the instance of the Trustees of the First Mortgage Bondholders. The Council, believing that this was a step which was not taken in the true interest of the Bondholders, have taken measures to procure its reversal as well as the removal of the Trustees and the appointment of new Trustees in their room.

While, however, the Council have taken every means in their power to protect and preserve the security afforded to the Bondholders by the property forming the subject of the mortgage, they have not been unmindful of

the ultimate security afforded by the guarantee of the State of Alabama. At the date of the issue of these Bonds the credit of that State stood well in the money markets of Europe, and, doubtless, investors were thereby not a little encouraged to take part in the subscriptions. The subsequent collapse of the financial prosperity of Alabama, owing to causes upon which the Council do not at present dwell, has proved most disastrous; but the Council hope that, under the administration of the new Government and Legislature, elected in November last, a serious effort will be made to discharge honourably the liabilities of the State as well in respect of the direct or straight Bonds as of the Railroad Bonds indorsed by the Governor on behalf of the State under legislative authority. In the month of December last, an Act, was passed by the Alabama Legislature, authorising the appointment of a Board of Commissioners empowered "to take charge of and ascertain, liquidate and "adjust the subsisting legal liabilities of the State of "Alabama on the Bonds issued and the Bonds indorsed by "the State of Alabama and the coupons on the same, in "such manner as the interests of the State may require, "and, by negotiations, to provide for the payment of such "amount of the said several legal liabilities as may be "arranged for."

With a view to secure for the Bondholders the benefit of this enactment, the Council have, through their Agent, the Hon. David A. Wells, forwarded to the Executive of Alabama certain suggestions for a basis of settlement, which are now under the consideration of the Governor, and which, if accepted on the part of the State, the Council feel that they can submit to the Bondholders for their approval. For that purpose a meeting of Bondholders will be summoned immediately upon the receipt of a definite reply from the State.

In dealing with the question of the Alabama and Chattanooga Railroad Loans, the Council and Committee have found that the facts brought under their notice were so unusually complex, and the subject matter so varied and diffuse, that it was considered expedient to prepare, for the information of the Bondholders, a full and carefully-digested report on this special matter. The publication of this report has been delayed by the Council in the hope that they may be in a position to embody in it some definite terms of a proposed settlement; but it will probably be issued at an early date.

FLORIDA.

The arrangement contemplated by the Council of the old Florida Bonds issued by the Bank of Pensacola is at present in abeyance.

MISSISSIPPI.

Messrs. N. M. de Rothschild and Co., who have taken charge of the interests of the holders of Bonds of this State under default, have as yet been unsuccessful in obtaining any redress for the Bondholders. The Council have seconded their efforts wherever an opportunity offered for doing so, and Mr. Murdock, late Member of Congress, actuated by patriotic motives, has volunteered his services gratuitously to endeavour to bring about an arrangement.

A representative of the Mississippi Valley Company having, at a meeting of the Manchester Chamber of Com-

merce, advocated certain measures as tending to induce a "flow of English capital to the States of that Valley," the Council have addressed a letter to the Chamber of Commerce pointing out that, in their opinion, before any attempt to bring about such a result can be supported in this country with success, the States of the Mississippi Valley will find it necessary to reestablish confidence in their good faith, by giving proof of their determination once more to occupy a position among solvent States.

ARKANSAS.

The financial affairs of this State have been for some time, and still remain, in a most unsatisfactory condition, but in a letter recently received from the new Governor of the State, a promise is held out that the Legislature will give every attention to this question. It has since been reported that the Senate has passed a joint resolution instructing the State Board of Finance to correspond with the holders of State Bonds, with a view to a settlement of the indebtedness.

In the spring of 1874, Mr. D. A. Hadley, ex-Governor of the State, whilst in London, endeavoured, by means of letters to the "Times," to vindicate the conduct of the State of Arkansas to her creditors. All the obligations of the State being at the time practically repudiated, Mr. Hadley's arguments failed to convince.

The affairs of the Arkansas Central Railway Company remain unsettled. A proposition of Mr. Edward Vernon, Vice-President of the railway, to the effect that the Bondholders should pay up the floating debt, buy up the ordinary stock, and find money for the completion of the line, was

submitted to a meeting of the Bondholders held at the offices of the Credit Foncier of England on the 26th August, 1874. The meeting appointed a committee to confer with Mr. Edward Vernon, and the proposition was eventually rejected.

It will be remembered that upon the occasion of the issue of \$500,000 First Mortgage Bonds of this railway, the Council inserted in the newspapers a letter received from the Governor of the State, showing that no provision had been made for these Bonds by the Legislature.

LOUISIANA.

Louisiana Committee.

Henry Rawson, Esq., <i>Chairman.</i>	Morris Cantor, Esq.
I. Gerstenberg, Esq., <i>Chairman</i> <i>of the Council of Foreign Bond-</i> <i>holders.</i>	Louis Floersheim, Esq.
	J. A. Hankey, Esq.
General Sir George Balfour, K.C.B., M.P., <i>Member of the</i> <i>Council of Foreign Bond-</i> <i>holders.</i>	Fortescue Harrison, Esq., M.P.
	G. I. Leon, Esq.
	Robert Monekton, Esq.
Francis Bennoch, Esq., <i>Mem-</i> <i>ber of the Council of Foreign</i> <i>Bondholders.</i>	J. Hume Webster, Esq.
	<i>Secretary.</i>
	Hyde Clarke, Esq.

Meetings of Bondholders were held on the 18th April and the 2nd June, and resolutions passed, protesting against the action of the State Legislature, which, under their Funding Act, attempted to confiscate 40 per cent. of the capital and a portion of the interest payable on these Bonds from January, 1874. Reports of these meetings

were widely circulated in the United States and on the Continent, and a protest was addressed to Governor Kellogg, which, however, proved of no avail, as he published in the London and other papers a notification of this forced conversion. A conference of Bondholders was thereupon called, when it was unanimously resolved to adhere to the terms of the former protest, and this resolution was advertised in English and American papers. The deplorable political condition of this State has, for the present, made impossible any progress towards a satisfactory settlement; and it is deeply to be regretted that the Funding Bill of Governor Kellogg received the sanction of both sections of the citizens in a general vote.

It is not improbable that if this measure proceeds, the Council will be called upon by the Bondholders to resort to the extreme measure of issuing Louisiana Certificates of Default, and applying for their quotations on the Stock Exchanges of London, New York, Holland, and Germany.

SANTO DOMINGO.

Santo Domingo Committee.

F. Bennoch, Esq., <i>Chairman.</i>	Robert Bradshaw, Esq.
I. Gerstenberg, Esq., <i>Chairman</i>	C. A. Day, Esq.
<i>of the Council of Foreign Bond-</i>	Capt. W. Delf.
<i>holders.</i>	J. Downing, Esq.
Maj.-General J. L. Vaughan,	R. F. Eland, Esq.
C.B., <i>Deputy Chairman.</i>	W. Ford, Esq.
W. Abbott, Esq.	J. Foster, Esq.
G. A. Addison, Esq.	G. Grantham, Esq.
Dr. A. Benisch.	Major J. C. Harris, R.E.
E. Lennox Boyd, Esq.	Rev. E. S. Hart.

R. H. Household, Esq.
 H. B. Hyde, Esq.
 W. Johnson, Esq.
 Robert Monckton, Esq.
 G. L. Morris, Esq.
 J. G. Peckham, Esq.
 Chas. Penruddocke, Esq.
 C. W. Price, Esq.
 V. D. Ray, Esq.
 H. E. Rensburg, Esq.
 P. C. Renton, Esq.
 W. Richardson, Esq.

Aug. Styles, Esq.
 R. Tamblyn, Esq.
 G. R. Walker, Esq.
 Count M. G. de Wezele.
 Colonel R. White.
 Thos. Williamson, Esq.
 Thos. Wilshire, Esq.
 C. O. Wombwell, Esq.

Secretary.

Hydè Clarke, Esq.

In the last report it was stated that the Council had observed that a part of the rights hypothecated to the Bondholders had been assigned to a powerful American combination, the Samaná Bay Company, and that the Council had therefore proceeded to notify to the Company that no financial operations by them, connected with Santo Domingo would be allowed to be placed unopposed on the European markets, unless measures were adopted to make good the default of the Government. This step was imperatively called for to protect the position of the Bondholders, but it was not taken in any hostile spirit to the Samaná Bay Company, which had been led in ignorance to invade the rights of the Bondholders.

A large number of Bondholders had signified their assent to the provisional agreement entered into with the Special Commissioners of the Samaná Bay Company, of New York, for a settlement of the Santo Domingo Debt, after the approval of that arrangement by a General Meeting of the Bondholders, held on the 27th January 1874.

But the Samaná Bay Company failed to ratify this agreement within the time fixed—the 1st April last, and it

consequently fell to the ground. The Council and Committee were shortly afterwards officially informed by the Company that the new President of Santo Domingo, General Gonzalez, had cancelled the concessions granted to the Samaná Bay Company by his predecessor, General Baez.

An application of the Company to the President of the United States for redress proved without result. It is understood that a suit is now pending in the United States Courts for the appointment of a receiver of the assets of the Samaná Bay Company.

The Council have addressed a memorial to the new President, through the medium of the Foreign Office, but the reply received did not indicate any disposition on the part of the Government to recognise the validity of the Loan, or to come to an equitable settlement of the claims of the Bondholders.

Mr. O'Sullivan, a gentleman interested in the concession of a railway in Santo Domingo, granted in 1869 to Mr. Frederick Fisher, of New York, and his associates, has been in frequent communication with the Council and Committee, with a view to obtain the assistance of the Bondholders in the execution of this railway, in connection with a settlement of the San Domingo Loan.

This concession appears to have been granted prior to the default of San Domingo on her public Loan, and was not included in the hypothecations of that Loan. It therefore stands upon different grounds than the concession to the Samaná Bay Company, whose financial operations in London the Council felt bound to oppose until an arrangement had been effected.

The Council will be glad to see measures adopted calculated to effect a satisfactory arrangement of the Loan in connection with that Railway Concession.

MEXICO.

The tardiness of the Mexican Government in making arrangements with their foreign creditors, and the advantage the country derived from the construction of the Mexican Railway, effected by means of funds procured by the hypothecation of a part of the securities which had been already assigned to the Bondholders, impressed the Council with the necessity of some more decided action with regard to that State.

After consultation with the Bourses of the Continent, it appeared desirable to make known to the Mexican Government that Mexico would no longer be allowed to avail herself, directly or indirectly, of the European markets for the purpose of raising capital.

The effect of this intimation became immediately apparent. The capitalists of Mexico having been thereby prevented from carrying out any fresh operations in the European markets, as all preliminary steps in respect of the same were met by a demand for a settlement of the debt, and an attempt to raise capital by an American combination having moreover been unsuccessful, the President at length took into consideration the expediency of coming to an understanding with the Bondholders, and desired some friends visiting Europe to ascertain unofficially the lowest terms upon which a settlement could be obtained. Some of these gentlemen have applied to the Committee of Mexican Bondholders.

As yet no definite result has been obtained. One reason for this has been, that the Mexican administrators have found that the Bondholders have taken up a firmer attitude than was anticipated, and that the prolonged default of Mexico has not made them more inclined to accept pro-

posals involving the forfeiture of a large portion of their claims, while on the other hand the people of Mexico have been so long encouraged to regard their creditors with contumely, that it is difficult as yet to bring the Legislature to adopt measures for a practicable settlement. Another reason for delay is, that the Government, and their allies among the financiers of Mexico, are still not without hope of raising money for railways on the favourite plan, successful with the Mexican Railway, of hypothecating the revenues belonging to the Bondholders. They hope to effect this in the United States, but it is questionable whether the American market, which has many calls upon it, is strong enough for such an operation without having recourse to Europe.

The Council have, on the occasion of recent railway concessions, thought it their duty, in accordance with their recognised policy, to despatch to the President of Mexico a protest against any dealings with revenues already hypothecated until the Government shall have come to a satisfactory arrangement with the Bondholders.

The Mexican Deferred Committee, acting in co-operation with the Council, have lost no opportunity of pressing their claims on the Government and its representatives.

GUATEMALA.

Guatemala 1869 Committee.

General Sir George Balfour, K.C.B., M.P., <i>Chairman</i> .	George Cavendish Taylor, Esq. S. W. Willet, Esq.
I. Gerstenberg, Esq., <i>Chairman</i> of the Council of Foreign Bond- holders.	Morgan Yateman, Esq. Brodie de Zulueta, Esq.
H. F. Bailey, Esq.	<i>Secretary.</i>
Dr. Behrend.	Hyde Clarke, Esq.
Robert Bowden, Esq.	<i>Agents for Arrear Certificates.</i>
James Roberts Brown, Esq.	Messrs. I. Thomson, T. Bonar and Co.
James Charles, Esq.	

This Republic has discharged her obligations to the foreign creditors with increasing regularity during the past year, and there is now every prospect of punctuality in the future.

The Council called attention in their last Annual Report to the much-needed railway from the port of San José to the capital. As soon as strict punctuality in the payments of the Loan is established, there would probably be no difficulty in raising the funds necessary for that important undertaking.

At an interview with Señor Don Manuel S. de Tejada, on the subject of the proposed railway enterprise, the Council pointed out the measures that appeared advisable in respect of the Five per Cent. and Six per Cent. Loans before the project could be successfully launched.

The Council have had the advantage of conferring with Mr. Corbett, the late Minister Resident at Guatemala, on his arrival in London. His opinion was generally favourable as to the resources of the Republic and her ability to discharge her obligations.

The stipulated instalments of the arrear coupons of 1872, and the dividends due on the Five per Cent. and Six per Cent. Loans, were duly received during the past twelve months.

Mr. Sidney Locock, the present Minister Resident, at an interview with the Council, promised to render every assistance to the cause of the Bondholders which it may be in his power to render unofficially at any time when required.

Mr. Corbett, who acted as agent of the Bondholders, having permanently left Guatemala, the Council will appoint another agent in his place, subject to confirmation by the contractors, in accordance with the terms of the General Bond.

HONDURAS.

Although, with the co-operation of the Foreign Office, the Council have made application to the Government of Honduras for placing the Customs Revenues of Amapala under an agent of the Bondholders, to meet the interest of the Federal Five per Cent. Debt, no result has yet been obtained. The appointment of a Vice-Consul by H. M. Government may facilitate the required measure.

The strife of internal factions, and the intervention of those of neighbouring territories keep the country in so wretched a condition, that any satisfactory arrangement regarding the comparatively small amount of the old Federal Debt of 1867, may yet be delayed.

The Loans issued in England and France, in the name of Honduras for a projected Interoceanic Railway, remain in the same hopeless condition, and the hardship inflicted on many of the holders is very great.

A Committee for the protection of the Bondholders has applied to the Council for aid, and it is announced that they propose soon to hold a public meeting.

A Company projected for the ostensible purpose of converting the Government bonds into shares of an Interoceanic Railway, to be constructed with further funds to be obtained from the unfortunate Bondholders, has received but very small support from the public. The future movements of this Company will, therefore, be watched with much interest.

If the Council could see any possibility of giving relief to the sufferers, they would willingly accord them aid, but no practicable method of doing anything with the projected undertaking has ever been put forward.

SALVADOR.

It has been stated that some Bonds of the Salvador portion of the Central American Debt are still outstanding and in the hands of Bondholders. On application through the Foreign Office, the Government of Salvador have replied that the balance of the remaining bonds of that debt has been discharged by the agents of the Government, at the agreed rates, under an agreement with the Government, this however the agents state, was subsequently disavowed on a change of the Executive.

It appears desirable that a settlement of the amount still outstanding should be obtained.

NICARAGUA.

A proposed compromise of the Nicaraguan portion of the Central American debt was considered by a private meeting of Bondholders, called for the purpose by the agents of the Government. As neither the terms of the proposed settlement, nor the time and object of the meeting were publicly advertised, the Council addressed a remonstrance to the agents on the subject. The terms submitted, besides being utterly inadequate and not calculated to satisfy the Bondholders, were not of a nature to maintain the credit of the Republic. A number of Bondholders are understood to have accepted the terms proposed, but it is hoped that, if the Bondholders resist the proposals of the Government, better terms will be obtained, particularly as the resources of the country are improving.

COSTA RICA.

Costa Rica Committee.

A. G. Sandeman, Esq., <i>Chairman.</i>	Wm. Griffith, Esq.
I. Gerstenberg, Esq., <i>Chairman of the Council of Foreign Bondholders.</i>	G. D. Harris, Esq.
Francis Bennoch, Esq., <i>Member of the Council of Foreign Bondholders.</i>	L. Harrison, Esq.
Roger Eykyn, Esq., <i>Member of the Council of Foreign Bondholders.</i>	J. W. Harvey, Esq.
Dr. A. Benisch.	J. Cooke Harker, Esq.
E. Lennox Boyd, Esq., F.R.G.S., F.S.A.	T. P. Hearne, Esq.
T. Cave, Esq., M.P.	George Herring, Esq.
James Cooper, Esq.	T. Hobday, Esq.
W. Detmar, Esq.	G. A. King, Esq.
T. Dowling, Esq.	J. M. Louis, Esq.
W. E. Duncan, Esq.	J. F. Lovering, Esq.
W. Godfrey, Esq.	Captain R. Murray.
R. Grant, Esq.	H. N. Nissen, Esq.
G. de G. Griffith, Esq., M.D.	H. Price, Esq.
	A. W. Ray, Esq.
	E. P. Rowsell, Esq.
	Thomas Sidney, Esq., Alderman
	H. Skynner, Esq.
	E. H. Stewart, Esq.
	<i>Secretary.</i>
	Hyde Clarke, Esq.

Costa Rica Commission.

Francis Bennoch, Esq., <i>Member of the Council of Foreign Bondholders, Chairman.</i>	W. Knowles, Esq.
Roger Eykyn, Esq., <i>Member of the Council of Foreign Bondholders.</i>	<i>Secretary.</i>
T. Cave, Esq., M.P.	Hyde Clarke, Esq.
W. Griffith, Esq.	<i>Agents at Costa Rica.</i>
	Thomas Farrer, Esq.
	Edward R. Meugens, H.B.M.'s Consul.

In their last Annual Report the Council referred to the appointment of a Committee of Seven per Cent. Bondholders. It was then hoped that the united endeavours of all parties interested would result in an arrangement satisfactory to the Bondholders and honourable to the Government.

Señor Yglesias, the Special Commissioner, having arrived in this country shortly after the meeting, furnished with the necessary powers by the Government, and having placed himself in communication with the Council, the Committee, and the Agents of the Loan, numerous interviews and conferences were held, particularly with a view to devise some measures for obtaining the money required for the coupon falling due in April, 1874.

The revenue of the country appeared to be increasing, and there was every reason to hope that the temporary difficulties, occasioned by the management of the Loan after the public subscription, would be successfully overcome.

The Special Commissioner, who was not provided with any funds to meet the coupons, stated that his Government relied on the result of the sales of the Bonds not yet disposed of. An amount of about £850,000 of purchased Bonds was then in the hands of a syndicate by whom a sum of about £68,000 was claimed from the Government in respect thereof. It was further stated that the Government held also shares in the National Bank at Costa Rica, estimated at about £100,000, and also that the surplus revenue of the country was applied by the Government to the construction of the railway, a national undertaking which could not be suspended without most serious consequences to the country.

Eventually an arrangement was concluded with Señor Yglesias, according to which the coupon then about falling due on the 1st April, 1874, was to be provided for by a cash payment, at the rate of 2 per cent. per annum (the requisite amount to be raised upon the security of the pledged bonds), and the balance by twelve months' bills

upon the National Bank at San José. At the last moment, however, this arrangement became abortive, owing to the refusal of the contractors to sanction it, and the actual default on the payments due on the 1st April for the dividend and drawn bonds took place.

A subsequent proposal of Señor Yglesias to the contractor, to pay the coupons by twelve months' bills on the Government, bearing 5 per cent., was not carried out by the agents, nor submitted by them to the Council and Committee, nor to the Bondholders.

No further steps having been taken by Señor Yglesias to carry out the contemplated arrangement, he was informed that, unless a definite proposal were made at an early date, a meeting of Bondholders would be convened in accordance with the terms of the General Bond, providing for the appointment of receivers of the revenues specially hypothecated to the Bondholders.

The Government, through Señor Yglesias, had in the meantime filed a Bill in Chancery against the parties connected with the issue of the Seven per Cent. Loan. This Bill is still pending.

As the Bondholders, as such, were in no way connected with these proceedings (their claim resting on the Bonds in their possession), the necessary steps were taken to secure eligible agents for the Bondholders in Costa Rica, in anticipation of the contemplated action by a public meeting. This course was adopted, as Señor Yglesias had ceased to pay any attention to the numerous applications addressed to him on behalf of the Bondholders.

The Council and Committee, however, never relaxed their efforts. The contemplated public meeting was again postponed on the statement of the Commissioner that he was in negotiation with parties for means to complete the railway and to provide for the coupons.

It is to be regretted that the arrangement agreed upon

between Señor Yglesias and the Council and Committee was frustrated, as had it been carried into effect, the credit of Costa Rica would have been preserved, and, moreover, it was hoped that the means necessary for the completion of the railway, the proceeds from which are pledged as security for the Loan, might thereby be obtained.

In July, Señor G. Nanne, the Chief Manager of the Costa Rica Railway, arrived in this country for the purpose of facilitating an arrangement for the construction of that railway, but did not place himself in official communication with the Council and Committee.

In consequence of the prolonged default, and in the absence of any steps on the part of the Government to come to any arrangement with the Bondholders, a special meeting, under the terms of the General Bond, was convened by Messrs. Knowles and Foster, the agents for the Loan, for the 7th August last, and Messrs. T. Farrer and E. R. Meugens, the former an English merchant, long resident in the country, the latter H. B. M. Consul at Costa Rica, were appointed receivers of the revenues generally hypothecated to the Bondholders, under the supervision of a Commission of six Bondholders.

The necessary legal documents were prepared, and dispatched to Costa Rica, duplicates being sent through the Foreign Office; at the same time Lord Derby consented to authorise Mr. Sidney Locock, H. B. M. Minister Resident in Central America, to support unofficially the interests of the Bondholders.

The documents above referred to were addressed to the President of Costa Rica, but the Government of that country declared themselves unable to take official cognisance of the appointment of the agents, on the plea that the communications in question should have been addressed to the Minister of Finance.

The object of the Government appears to be to gain time

by any possible excuse, and in the meantime to propitiate the Bondholders, as far as possible, by the courteous treatment of their agents.

Arrangements have been made by the Commission with the agents for the remuneration of the latter, and with the Council of Foreign Bondholders for the provision of the necessary expenses of the agency, as well as those incident to the appointment of the Special Commission. Messrs. Knowles and Foster have liberally contributed towards this outlay.

Señor Nanne has returned to Costa Rica in order, it is stated, to consult his Government and to obtain further powers; meanwhile there is no immediate prospect of an arrangement.

The Council have been furnished with a copy of the correspondence of the contractors respecting the Six per Cent. Loan. They have expressed their willingness to co-operate with the Council in any measure that may be deemed necessary in consequence of the default on the November 1874 coupon of that Loan. Numerous applications of Bondholders have also been received, calling upon the Council to take the necessary measures for the appointment of a Committee and of receivers for that Loan.

As all representations on this subject to Señor Yglesias have proved fruitless, it is intended to convene a meeting shortly.

UNITED STATES OF COLOMBIA (NEW GRANADA).

New Granadan Committee.

I. Gerstenberg, Esq., *Chairman*. E. Jeggins, Esq.

Captain Craigie.

A. Northen, Esq.

Secretary.

Hyde Clarke, Esq.

Bankers for the 6 %₀ Loan.

London and County Bank.

Agent at Bogota.

Bankers for the 4½ %₀ Loan.

London and County Bank.

Charles O'Leary, Esq., H.B.M.'s
Vice-Consul.

The additional Convention, modifying that of the 1st January, 1873, by the abandonment of the contemplated Colombian Land Company, was signed in London, on the 18th December, 1873, subject to the ratification of the Government at Bogotá.

The concessionaires of several railway enterprises in Colombia having applied to the Council for advice and assistance in carrying out their undertakings, they were invariably informed that it was necessary that the Government should satisfactorily carry out the terms of the recent Conventions, as well as any outstanding claims of Bondholders, before any new Colombian securities could be successfully placed on the London market.

A proposal to purchase the 2,000,000 hectares of land conceded to the Bondholders under the Convention of the 1st January, 1873, could not be entertained, as the abandonment of the Land Company had already been voted by the Bondholders.

On the departure of Mr. O'Leary for England, Mr. Robert Bunch, H.B.M. Minister Resident at Bogotá, consented to take charge of the interests of the Bondholders during his absence.

Mr. O'Leary gave a favourable account of the peaceful and progressive state of Colombia; the customs receipts are steadily increasing, and are estimated to exceed, in a short time, \$3,000,000 per annum, in which case the Bondholders will receive interest at the rate of 5 per cent. instead of 4½ per cent.

The President recommended to Congress the ratification of the arrangement cancelling the Land Grant, as principally desired by the Dutch Bondholders, but he at the same time intimated that the settlement of expenses and of outstanding bonds and certificates can only be decided by Congress.

The new Convention was ratified by Congress in March, 1874, and the Land Company accordingly abandoned. The Land Certificates in circulation were exchanged for the $4\frac{1}{2}$ per cent. External Bonds of the 1873 issue, together with a certificate for the first year's coupons, which had been applied towards the expenses of the conversion.

At a public meeting of the Bondholders, resolutions were passed accepting the modified convention of the 18th December, and the Council were requested to address another memorial to the Government in reference to the portion of expenses not provided for by the Government, which was accordingly done on the 30th May. On the receipt of the reply of the Government to the memorial, arrangements will be made for dealing with these certificates.

The Dutch Bondholders withdrew their opposition to the transfer of the funds in the hands of Messrs. Baring Brothers and Co., the proceeds of former remittances of the Government for service of the old debt, to the present bankers of the Republic, the London and County Bank, for the purpose of being applied to the redemption of the Bonds of the $4\frac{1}{2}$ per cent. External Debt.

The official quotation for the new Bonds was granted by the Committee of the Stock Exchange in July last.

In the month of August last, H. E. Señor Don Felipe Zapata, the new Minister of Colombia, arrived to take the place of Señor Don Justo Arosemena. Messrs. Baring Brothers and Co., having transferred the greater part of the funds in their hands to the London and County Bank, to be applied

to a special drawing of the Bonds, under the terms of the Convention of the 1st January, 1873, it was proposed by the Minister to hold the drawing in the month of September or October, but at the request of the Amsterdam Bourse this period was extended.

In the month of November, Messrs. Baring Brothers and Co. transferred the balance of the Government funds in their hands to the London and County Bank, and the amount to be applied to the special drawing was augmented to £48,800.

A protest having been received against the application for the drawing of a further sum of about £573, proceeding from coupons of New Granada Bonds, due prior to June, 1864, in which protest the Council fully concurred, it was agreed, at an interview with H. E. Señor Zapata, to refer this question to the Government, His Excellency further agreeing to recommend to his Government an amended settlement of the other pending questions.

A letter to the President on this subject was despatched by the mail of the 16th December last, and it is hoped that an equitable arrangement will be conceded.

At the public drawing, on the 17th December last, £48,800 Bonds were drawn, reducing the $4\frac{1}{2}$ per cent. Bonds of the External Debt of 1873 in circulation to £1,951,200.

The conversion is practically complete, a very small number of New Granada Bonds only being still outstanding.

The Council have great pleasure in stating that the monthly remittances for the service of the Debt have been received by the London and County Bank with the utmost regularity since the 1st January, 1873, the date of the Convention, and that the remaining questions still unsettled are likely to be satisfactorily disposed of in due course.

As regards the Colombian Six per Cent. Loan of 1863, a

monthly payment of \$10,000, proceeding from the salt duties, has been satisfactorily arranged, pending the notification by the Government of an earlier redemption than could be effected by the above rate of payment, estimated to require about five years.

In the case of the Colombian Five per Cent. Loan of 1868, the legality of which was impugned by the Government for various reasons, the Council have great pleasure in stating that a satisfactory arrangement has been conceded by the Government, by means of which the very small outstanding amount will be discharged in all cases where a *bonâ fide* possession of these Bonds can be proved.

VENEZUELA.

Venezuelan Committee.

I. Gerstenberg, Esq.,	<i>Chairman.</i>	Major-General J. L. Vaughan,
E. Jeggins, Esq.		C.B.
E. Jonas, Esq.		Admiral Sir Provo Wallis,
J. Leonino, Esq.		G.C.B.
F. Obicini, Esq.		<i>Secretary.</i>
Major Jelfs Sharpe.		H. Schirges, Esq.

The Council in their last Annual Report referred to the action of some holders, by whose co-operation the agent of the Government of Venezuela succeeded in dividing the Bondholders and in obtaining their assent to an unsatisfactory convention, which was agreed to, after some modifications, subject to its ratification by the President.

It was clearly pointed out at that meeting that no reliance could be placed on the execution of the agreement, and subsequent events justified this prediction.

The President's answer being at length received, was to the effect that the agreement could not be ratified, Congress having made it a *sine quâ non* that the construction of the railway from Caraccas to the coast should previously be secured by the raising of fresh capital for that purpose.

A General Meeting of Bondholders, convened by the temporary Committee, was in consequence held on the 25th November, 1874, by which the proposals of the Government were indignantly rejected.

ECUADOR.

It was stated by the Council last year that they entertained strong hopes of receiving a proposition from this State, which hopes were strengthened by the failure of an intended local loan for the construction of a railway to Guayaquil. Several interviews with General Salazar, the Minister at Paris, and Señor Gonzales, the Consul in London, took place, but as the proposed arrangements were based on the condition of a new loan being raised for the purposes of the railway, at fixed terms, these negotiations led to no satisfactory result, although the increasing revenues of the country afforded the means of an equitable adjustment of the debt and of restoring the credit of the Republic.

His Excellency Don A. Flores, the Minister to the United States of America, arrived shortly afterwards in this country, charged with the mission of effecting an arrangement. Numerous interviews and conferences were held; but the Council did not feel justified in recommending the proposed terms to the Bondholders for acceptance.

As the powers of His Excellency were limited, the general

features of an arrangement were discussed with some leading Bondholders, and duly communicated to His Excellency, for reference to his Government.

It is hoped that some favourable reply may be received, and that Ecuador will regain her position in the money markets of the world.

PERU.

As soon as the terms of the contract entered into in August, 1869, between the Peruvian Government and Messrs. Dreyfus Brothers and Co., for the sale of two million tons of guano became known to the Bondholders, much dissatisfaction was expressed with Art. 18 of the contract, which by implication abrogated the priority of the Bondholders lien in respect of the proceeds of sales of guano, for interest and sinking fund. A Committee was appointed, which, after correspondence with the Government and contractors, succeeded in securing the rights of the Bondholders. The functions of the Committee being at an end it was dissolved.

The Council, however, have continued to maintain a friendly correspondence with the Government of Peru, which has been of reciprocal advantage. It is of paramount importance to a country like Peru, possessing valuable assets, and engaged in the construction of extensive public works requiring large expenditure of capital, that she should have the cordial co-operation of those interested in her prosperity. The Council consider Peru to be of so much importance to the bondholding interests that they are disposed, when circumstances permit, to appoint a special agent for that country. Meanwhile they have cultivated most cordial relations with the Legation, and have, through their correspondents, placed themselves in direct communication with the President,

who manifests the most loyal disposition towards the foreign creditors.

The Council were able finally to bring into practical effect the arrangement made in the first instance with Messrs. J. Henry Schröder and Co., with regard to the Six per Cent. Loan of 1870. This having been ratified by the Government, in conformity with the negotiations carried on between Don Pedro Galvez and the Council, a number of the 1870 Bonds were, in the months of April and October, withdrawn from the market by the application of the sinking fund provided by the above arrangement, and the same operation will be pursued this year.

The new discoveries of guano are a subject of much moment to the Bondholders, and not the less so since the quantity and quality of the deposits have been the subject of much controversy in the public press. The presence in London of Mr. Hindle, an engineer of long experience in Peru, induced the Council to convene, at the Councilhouse, two private meetings of leading Bondholders, to hear his explanations. His statements confirmed the results of the preliminary surveys, and produced a favourable impression.

It has, however, been the opinion of some leading Bondholders that an independent detailed survey should be undertaken by the Council on behalf of the general body, and a correspondence has taken place with the Peruvian Government, from which as yet nothing definite has resulted, although the Government appears inclined to meet the views of the Bondholders to a certain extent.

As is well known, great depression of Peruvian securities has prevailed, and many applications have consequently been made to the Council. To have convened the Bondholders in a public meeting might have been regarded as an unfriendly act towards a Government possess-

ing such great resources as Peru, and might have weakened instead of strengthening the action of the Government. At the same time, a meeting without definite aim, far from allaying public anxiety, would only tend to increase it.

The contract between the Peruvian Government, and Messrs. Dreyfus Brothers and Co., will expire in July, 1875. The interests of the Bondholders will be sufficiently protected in respect of any fresh contract which the Government may enter into with responsible parties for the sale of guano, provided the terms and spirit of the seventh clause of the General Bond of the 1872 Loan are strictly observed.

BOLIVIA.

The events of the past year have brought no satisfaction to the holders of Bolivian Bonds.

The Committee, who act independently of the Council, having thought it desirable to institute proceedings in Chancery, the judgment of the Master of the Rolls was rendered on the 11th December, 1874; he decided that the National Bolivian Navigation Company and the Madeira and Mamoré Railway Company, Limited, were entitled to apply the United States Bonds vested in the names of the Trustees, and the interest accruing thereon in payment for the works of the railway referred to in the prospectus in proportion to the progress of such works.

This decree left the question of the claims of the Government of Bolivia to these funds still open.

The dividends were met at maturity, but the drawn bonds payable in January were only paid to the extent of 33 1-3 per cent., leaving the balance undischarged. The sum set apart for the dividend and sinking fund was

thereby exhausted, and that portion of the loan only remains which is reserved by the recent decree of the Court for the construction of the railway, pending any other decision on the Bill filed by the Government.

The Commissioners of the Government thereupon annulled the concession for the Railway, claiming at the same time the balance of the 83 per cent. of the Loan deposited in the Bank of England, as the property of the Government.

Meanwhile, the Government of Bolivia have enacted a law to the effect that the 83 per cent. of the proceeds of the Loan of 1872 shall be destined to the construction of the Madeira and Mamoré Railway, that the co-operation of the Empire of Brazil be forthwith solicited for the raising of the requisite further funds for the completion of the said railway, failing which the present concessionaires were to supply them on their own account. A diplomatic agent in London was to be appointed, charged with the special duty of terminating the lawsuits and of making arrangements for the construction of the railway.

PARAGUAY.

In the last Annual Report, the Council referred to the great depreciation in the price of the securities of this country, and the events of the past year have shown the cause of this downward tendency. The drawing for the Loan of 1871 was to be held on the 15th May; the Council were, however, previously informed that no provision for the payment of drawn Bonds had been made, nor for the dividends about to mature. The Consul-General of Paraguay in London declined to interfere, and under these circumstances the contractors did not

effect this and the subsequent drawings of the Loans of 1871 and 1872. The dividends likewise remained unpaid. A memorial was addressed to the President by the Council, on the 15th June last, to which no reply has as yet been received.

In the course of the month of November, two Special Commissioners, sent by the Government, arrived in London for the purpose of inquiring into the question of the Loans, and of coming to an arrangement with the Bondholders. The Council have been in communication with them, and they promise a settlement to the extent of the means of the country. They propose an assignment of the duty on the Yerba Maté, or Paraguayan Tea, estimated to yield about £42,000 per annum, but no practical steps to carry out this proposal have as yet been taken by them. The Commissioners state that not much more than one-half of the total amounts of the two Loans is in the hands of the public, and that the rest remains at the disposal of the Government. It appears that there are differences between the Government and the contractors in reference to the Bonds purchased on behalf of the Government and the moneys expended in the emigration scheme. The disastrous failure of this scheme will be in the recollection of the Bondholders, from the public comments that appeared thereon at the time.

There is no doubt of the impoverished condition of the country in consequence of the late sanguinary war. The main resources of the Government consist in the customs duties, which, although steadily improving, scarcely, if at all, suffice to meet present requirements. Strict economy might enable the country to meet, to a certain extent, the service of the two Loans, and it is hoped that something will be done to that effect. The country is at peace, and trade and industry seem to be reviving. The Council learn with regret that public

lands and buildings hypothecated to the Bondholders are being extensively sold at very low prices by order of the Government. The rich soil of the country is capable of producing immense crops, particularly of maté and tobacco, but the depopulation of the Republic must make its regeneration a work of time.

URUGUAY.

The great fall in the price of the bonds of the External Debt of this country caused considerable alarm and anxiety to the Bondholders. The public comments on the disordered state of the finances, the decreasing revenues, the failure of the negotiations for a new loan, coupled with political disturbances, all tended to assist this downward tendency.

Uruguay has, however, in spite of all her difficulties, steadily fulfilled her financial obligations to her European creditors, and there is every reason to hope that the almost unrivalled commercial position of the country and its great natural resources will enable it to adhere to the policy of strict financial integrity hitherto pursued.

It has been suggested that a public meeting of the Bondholders should be called by the Council, but as no default has taken place, or is reasonably to be expected, the beneficial results to be derived from such a meeting are not apparent.

AGENCY, MISSIONS, AND CORRESPONDENTS.

Among the various missions undertaken during the past year in furtherance of the interests of the Bondholders, the most important have been those respectively undertaken by two Members of the Council, Mr. Roger Eykyn and the Hon. Hugh M'Culloch, who have on these occasions volunteered their services as Honorary Commissioners on behalf of the Council.

Mr. Eykyn proceeded to Madrid at a few hours' notice, to effect with Señor Camacho, the Finance Minister, an arrangement in respect of three overdue coupons of the Spanish External Debt. With that Minister he agreed upon certain bases of settlement, which were submitted to, and approved by, a General Meeting of Spanish Bondholders. A few days after his return to London, and before he had recovered from the ill effects of a long journey, undertaken in the depth of an inclement winter, Mr. Eykyn again volunteered to go to Madrid for the purpose of finally completing with the Spanish Government the terms of the contract for settlement as approved by the Bondholders. On his arrival at Madrid he found a new Government in power. Notwithstanding this difficulty, he succeeded in arranging with the new Ministry the terms of settlement, and before leaving Madrid obtained the signature of the new Finance Minister, Señor Salaverria, to the formal contract, as well as a decree of approval under the sign-manual of King Alfonso XII.

The Council, on this occasion, as throughout the whole negotiations, were zealously assisted by their resident agent at Madrid, Mr. John Hamilton, who, on behalf of English and Foreign Bondholders, had previously pressed their claims on the Spanish Government.

In the negotiations relating to this settlement, the Council

were fortunate enough to obtain the co-operation of many gentlemen who rendered material services in London, Berlin, and Paris.

A conference at Richmond, to which further reference is made at p. 30 of this Report, convened in the autumn of last year by the Government of Virginia, appeared to be of importance, as the result of its deliberations might influence the policy of other embarrassed States. That the Bondholders should be fittingly represented at this conference was of moment. The Council and Committee were relieved from anxiety on this score by an offer of the Hon. Hugh M'Culloch to attend the conference on behalf of the Council, which he did at considerable inconvenience to himself.

The Honourable David A. Wells has continued to direct the negotiations in the United States in respect of the claims of the Alabama and Chattanooga Railroad Bondholders, and Mr. R. A. Smith, of Mobile, a lawyer of eminence in the State of Alabama, has acted as counsel to watch the interests of the Bondholders in proceedings before the United States Courts.

The London Committee of Alabama Bondholders, with the aid of the Council, as well as the Frankfort Committee, have made large advances in respect of these proceedings.

Dr. Jules Levita, the Delegate of the Council in Germany, has brought influence to bear on the Government and capitalists of that Empire, not only in matters of which he was the direct representative and adviser, but in those affecting the general interests of Bondholders.

The resident agent of the Council at Constantinople, Captain Stab, was in London during some months of the past year, when several Bondholders were enabled to confer with him upon the Turkish, Egyptian, and Greek financial matters.

The Council deeply regret that ill health has prevented

Mr. Lewis Drucker from resuming his mission to Athens, as delegate of the Netherlands Bondholders, in which capacity he has carried on an active diplomatic correspondence.

The Council have neglected no opportunity of placing themselves in direct communication with the Italian Government, and they will continue their representations.

From Peru, the Council have had the advantage of receiving the reports of two able correspondents.

During the absence of Mr. Charles O'Leary on leave in Europe, last year, Mr. Robert Bunch, Her Britannic Majesty's Minister at Lima, has most kindly superintended the proceedings of this important agency, from which monthly remittances are regularly received.

The retirement of Mr. Edwin Corbett from Central America will make it necessary to place the agency in Guatemala on a new footing. In Costa Rica, Mr. Farrer and Mr. Meugens, the latter Her Majesty's Consul, have been appointed to act as receivers for the Seven per Cent. Bondholders, and the Council, in conjunction with Messrs. Knowles and Foster, have made provision for their expenses. It appears probable that relations will also be established between the agents for the Six per Cent. Loan and the Council.

DIPLOMATIC RELATIONS OF THE COUNCIL.

The operations of the Council respecting the Government Bonds of so many countries have necessarily led them into correspondence on several occasions with Her Majesty's Foreign Office; although it has been, and will continue to be, the endeavour of the Council to request as seldom as

possible, and, in every case to the least possible extent, the assistance of that department. The Council desire to acknowledge the good offices for which they are indebted to Her Majesty's Secretary of State for Foreign Affairs, and to Mr. Bourke and Lord Tenterden, the Under-Secretaries, as well as to numerous members of the Diplomatic Service. An employment of moral influence is all that is required for the solution of many of the most difficult cases that come before the Council, and is the utmost that they can venture to solicit at the hands of Her Majesty's Government.

The assertion by Mr. Layard of the principle of the just observance of contracts had undoubtedly a powerful and salutary influence in Spain with reference to the negotiations of the Council for a settlement of the overdue coupons of the Spanish External Debt, at a time when the Press of that country was compelled to silence, and public opinion could not be freely expressed.

The Council have had occasion to profit by the good offices of Her Majesty's Government in communicating with the Governments of Santo Domingo, Costa Rica, and Salvador, and have had the advantage of the friendly aid of Her Majesty's representatives in other countries.

Applications and representations of the Council have also been favourably entertained by the Governments of Germany, France, the United States, and Holland.

A volume of correspondence relating to the affairs of the 1858 and 1862 Ottoman Loans was published by the Foreign Office on the motion of Mr. Forsyth, M.P., in which many of the documents relating to those loans will be found.

The Council take the opportunity of expressing their sense of obligation to the many members of the diplomatic and consular body from whom they have received assistance. In many cases, this assistance has been rendered by the

exercise of purely personal and private influence, under most difficult circumstances.

Mr. Bunch, Minister Resident at Bogotá, has returned to that Legation, and it has been a matter of gratification that the consolidation of the public debt, and the recognition of many English claims effected under his auspices, have tended not a little to strengthen the Government of the United States of Colombia, and to assure its credit:

The retirement of Mr. Edwin Corbett from the post of Her Majesty's Minister Resident in Central America, upon his being accredited to the British Legation at Berne, afford an occasion for referring to the many services rendered by him in various emergencies. The restoration of the credit of Guatemala has been successfully accomplished by the measures supported by him for the resumption of the current interest of the debt, and the redemption of the arrear coupons.

Mr. Corbett has been succeeded as Minister in Central America by Mr. Sidney Locock, who is well known as having been previously Secretary of Embassy and Chargé d'Affaires at Constantinople, and as the writer of interesting and valuable reports upon the finances of Turkey.

It may be observed, that Mr. T. J. Hutchinson, on his retirement from the Consulate at Callao, had published the results of his observations on the guano deposits and resources of Peru, in a work of which he kindly presented a copy to the Library of the Corporation. In a previous work Mr. Hutchinson had given similar information with respect to Paraguay.

Her Majesty's Foreign Office and that of the United States have continued to furnish the Library and Record Department with many valuable publications.

INTERNATIONAL PROTECTION OF BOND-HOLDERS.

The nature of the responsibility incurred by Sovereign States in respect of loan contracts entered into between them and the citizens of foreign countries, and the best means to be adopted for the protection of the creditor, in the event of total breach of the obligation, or temporary inability to fulfil its terms, are subjects to which the attention of the Council has necessarily been directed. Breaches of contract between citizens of the same State form the subject of adjudication before municipal tribunals by the application of the principles of municipal law ; but in the case of breaches of contract committed by the Executive of Sovereign States, no such remedy exists. The practice of the English Courts, both of Equity and Common Law, has been uniformly in favour of the privileged exemption of Sovereign States in all matters of private contract. There is no recognised international tribunal to which such differences can be referred, nor is there such an agreement between jurists of various nations, as would facilitate the codification of the principles which should govern their adjustment ; and, lastly, even assuming that these difficulties were overcome, and a possibility existed of obtaining a formal judicial decision upon the matters in dispute, there would remain the further, and practically insuperable difficulty, of executing the process of the Court.

In the absence, then, of any means of enforcing the performance of such contracts, or of obtaining damages for their breach by process of law, there is the greater need for the due exercise of that moral influence by which alone the maintenance of public credit is secured. This influence is

capable of being exerted in various ways. Remonstrance on the part of the Government of the creditors in cases when it appeared plain that the defaulting State is disposed to set moral obligations at defiance may be resorted to in extreme cases. That it is quite within the province of the Foreign Office to make such remonstrances is beyond question ; and the following extract from a circular addressed by Lord Palmerston in January, 1848, to British representatives in Foreign States, clearly shows that the existence of this right of remonstrance is not unknown to diplomatists :—

“There can be no doubt whatever of the perfect *right* which the Government of every country possesses to take up as a matter of diplomatic negotiation any well-founded complaint which any of its subjects may prefer against the Government of another country, or any wrong which, from such Foreign Government, those subjects may have sustained ; and if the Government of one country is entitled to demand redress for any one individual among its subjects who may have a just but unsatisfied pecuniary claim upon the Government of another country, the right so to require redress cannot be diminished merely because the extent of the wrong is increased, and because, instead of there being one individual claiming a comparatively small sum, there are a great number of individuals to whom a very large amount is due.

“It is therefore simply a question of *discretion* with the British Government whether this matter should or should not be taken up by diplomatic negotiation, and the decision of that question turns entirely upon British and domestic considerations. . . . Nevertheless it might happen that the loss occasioned to British subjects by the non-payment of interest upon loans made to them by Foreign Governments might become so great that it would be too high a price for the nation to pay for such a warning as to

the future, and in such a state of things it might become the duty of the Government to make these matters the subject of diplomatic negotiation."

It is, however, obvious that practically diplomatic intervention could only be claimed and would only be accorded under very exceptional circumstances, and the Council are satisfied that the surest guarantee for the international protection of public credit is to be found in the maintenance of a healthy public spirit, and the probable need of raising money by fresh loans which is experienced by nations whose financial condition is such as to incline them to make default in respect of their past debts. Any expedient by which wilfully defaulting States can be in effect "posted" on the Stock Exchanges and Bourses of Europe, is likely to prove in the end the most practical vindication of the Bondholders' rights. The issue of "certificates of default" is an expedient by which this end may ultimately be attained, and to which recourse has already been had with success.

The adoption of extreme measures is, however, by no means the course advocated by the Council of Foreign Bondholders. It is rather their policy to treat a State as they would an individual, and with that view they have laid down certain principles which guide them in their negotiations in respect of the defaults of Foreign States and the rights of the English creditors. These principles are expressed in the 63rd Article of the Rules laid down upon the incorporation of the Council of Foreign Bondholders, which provides that "Whenever any Foreign Government shall be unable to fulfil its obligations to Bondholders, the Council shall advocate an arrangement under the observance of the principles that no arbitrary modification of existing contracts shall take place; but that the consent of the Bondholders shall be obtained; that the Government shall pay on account as much as it can, and remain responsible for the balance;

and that fair and reasonable compensation shall be given for the modification of any contract."

During the autumn of last year, a Conference of jurists and public men of various countries was held at Geneva, having for one of its objects a discussion of the possibility of international agreement upon the principles of law which should determine the liability of Sovereign States and foreign subjects in their relations with one another. As a preliminary condition to the application of the moral force which is, after all, the sole ultimate sanction in such cases, there can be no question as to the advantage that would result from such an agreement. The Chairman of the Council attended the Conference, and in the course of some observations which he made upon the subject of maintenance of public credit, fully admitted the advantage that might possibly result from the establishment of an impartial association such as was contemplated by the Conference, whose public deliberations would serve to give expression to public opinion, which might thus be made to act with a stronger moral influence upon a defaulting State.

STOCK EXCHANGE AND BOURSES.

The correspondence of the Council with the Committee of the Stock Exchange has been chiefly directed to the communication of intelligence respecting Foreign Bonds, and of the resolutions adopted at meetings of Bondholders.

A similar correspondence has been maintained with the Bourses of Amsterdam, Frankfort, Paris, and Brussels, and to some extent with the Committee of the Stock Exchange of New York. The severe losses inflicted by American defaults

have tended to unite foreign capitalists in a common course of action.

The Council find that with the extension of their relations there is a daily increasing amount of correspondence with individual holders on the Continent respecting their claims and the condition of their investments. In many cases the agency of the Council is alone available for their assistance.

PUBLIC WORKS.

The Council have continued to take an active interest in all matters affecting the development of the resources of Foreign States, and they hope that in time the Record Department will afford valuable material for reference on all such subjects.

Much labour and attention have been devoted by Mr. Rumball, the advising engineer of the Council, to the examination of the plans of various undertakings, in order to promote their realisation by furnishing reliable data respecting them to Bondholders, capitalists, contractors, and others interested.

The extension of the means of transport, and especially the establishment of railway communication between the temperate table land on which Bogotá, the capital, is situated, and the river Magdalena, the principal channel of water communication through the fertile lowlands to the seaports is an object of vital importance to the United States of Colombia, and the Council have had before them plans in furtherance of these undertakings, as well as of the proposed Cauca and the Paturia Railway.

The Government of Guatemala is desirous, on its restoration to prosperity, to obtain a railway for the shipment of its coffee produce, and to this matter also the Council have devoted much time.

The Costa Rica Railway, in which the Bondholders are interested, has naturally engaged attention, as it may be necessary to concert measures with the Government for its completion.

As one means of bringing about a restoration of credit in Santo Domingo, the Council have favourably entertained proposals for the promotion of public works. It was in this spirit they regarded the proceedings of the Samaná Bay Company, and they have had under consideration the plans for a railway in the Savannah, from the capital to Samaná Bay.

The condition of the Alabama and Chattanooga Railway, and the means for putting it in a state of efficiency, have been the subject of much anxious care and examination.

The development of the resources of Mexico would be materially hastened by the establishment of railway communication between that country and the United States. The railway already existing between the capital and the Atlantic ports promotes the internal development of the country, but to obtain ready access to the United States would be equivalent to becoming co-partner in the prosperity of that great Empire. The Council therefore regarded proposals made to them on this subject by the Hon. Mr. Plumb with much favour, but the neglect of the Mexican Government to effect an arrangement with the Bondholders appears to render any present action impracticable.

A like consideration has precluded the Council from entertaining various applications in connection with the promotion of railway and mining undertakings in Greece.

Among the countries possessing great resources in which

Bondholders are interested, and to which the attention of the Council has been directed, are Virginia and Western Virginia. It is deeply to be regretted that a disregard for public obligations and the hardships inflicted upon their creditors, stand in the way of the fulfilment of the wishes of the citizens of those States, and of their friends.

The question of the extent of the new guano deposits in Peru is of such importance that the Council most willingly co-operated with the Legation in the elucidation of this question. Their advising engineer undertook a laborious investigation of the plans and reports, and also indicated the measures by which a detailed survey for the satisfaction of the Bondholders can be effectually accomplished.

LIBRARY AND RECORD DEPARTMENT.

The work of indexing the Records has proceeded during the year, but much remains to be done, as attention was first directed to the collection of information.

The Prospectuses of Loans and Public Companies have been regularly recorded for some years, and the department has the loan of a large collection, extending over forty years.

For all these purposes the contributions of Governments, of Members of the Corporation, and of others, are most desirable.

When, on the 1st of August, 1873, the Corporation took possession of the Councilhouse, the Members had been already provided with a collection of record books, pamphlets, and other documents, necessary and useful for carrying out the objects of the establishment.

The Council, soon after that date, addressed a circular,

stating the objects of the Corporation to the Presidents of the different States and other Authorities, requesting contributions to the Record Department of the Corporation.

In the course of last year, answers and contributions were received from Her Majesty's Secretary of State for Foreign Affairs, and the Governor General of India, the Governors of New South Wales and Victoria, from the Secretary of the United States Treasury, from the Governors of the States of Illinois, Massachusetts, Washington, the District of Columbia, from the Governor of Bolivia, from the Russian, Danish and Belgian Ministers of Finance, from the President of the Bourse of Buenos Ayres, and from Mr. J. G. Seacome, of Lima, and Mr. W. Mallet, British Consul at Cartagena, and others.

Contributions were likewise received from the late General Beaumont, Colonel Rowland, Mr. T. E. Habicht, Don C. E. Soto, the Hon. Edward Lee Plumb, Mr. S. Kemp, the American Agency, Sir Antonio Brady, Mr. Artingstall, Mr. Charles Heap, and others, and several valuable works from their authors, Mr. E. Seyd and Mr. Thomas J. Hutchinson.

The additions made to the Library by purchase have been very limited; and yet, from its very small beginning, the Library has increased to more than 800 volumes and pamphlets, and is capable of affording information in many of the cases for which it was intended. This is exclusive of the special record books of Loans, which are already counted by hundreds.

There is, besides, a collection of maps and charts, chiefly presented by the United States Government to the Corporation, and a number of other maps relating to railways and mines, frequently containing minute details which are not supplied by more pretentious illustrations.

Representatives of foreign countries, as well as Bankers,

Loan Contractors, many Bondholders, and others engaged in finance and public works, have in the course of last year availed themselves of the information offered them by the Record Department of the Corporation.

PUBLICATIONS AND ANNOUNCEMENTS.

The principal publications of the Council during the past year have been the following :—

SPANISH SECOND REPORT,

Do. PROCEEDINGS IN THE HOUSE OF LORDS,

Do. MEMORANDUM IN ENGLISH AND SPANISH ON THE BREACH OF THE CONTRACT OF THE 4TH APRIL, 1874.

LOUISIANA CIRCULAR,

ALABAMA AND CHATTANOOGA RAILROAD REPORT OF THE COUNCIL AND COMMITTEE OF BONDHOLDERS.*

VIRGINIA REPORT.

Besides numerous publications in the press relating to Spain, Italy, Greece, Turkey, Liberia, Virginia, Florida, Alabama, Louisiana, Santo Domingo, Mexico, Costa Rica, Guatemala, Honduras, Colombia, Venezuela, Peru, Paraguay, and other countries.

These announcements have been communicated in special cases to the Bourses of the Continent. Co-operation was thus secured where deemed necessary for the protection of the common interests of the Bondholders.

LOST BONDS.

All applications to the Council in reference to bonds lost or stolen have received due consideration, and such assist-

* This Report has as yet been supplied in proof to the Members of the Council and Committee only. See p. 38 *ante*.

ance as the state of the law relating to securities to bearer lost in the different countries have enabled them to render.

It has been the constant endeavour of the Council to obtain for claimants in the case of lost securities the advantages of the practice which prevails in this country of giving new securities on a satisfactory indemnity. They regret to say that in most instances, the prevalence of different laws on the subject in various countries affords a sufficient temporary excuse for leaving individual applications barren of successful result. An instance of bonds of Italian Rentes to bearer was in point. A similar case, relating to bonds of the Canal Cavour Company (which bonds are about being exchanged for Italian Rentes to bearer), met with opposition on the same ground, although the Italian law was not strictly applicable to the case, the Company being established in England. Efforts made with regard to lost Russian coupons have proved equally fruitless.

SAFE CUSTODY AND REGISTRATION OF BONDS.

The Council at one time contemplated making arrangements for taking charge of the securities held by members who might wish to be relieved of the risk and anxiety occasioned by keeping them in their own possession or depositing them with irresponsible custodians. Since then, another institution has nearly completed a building expressly constructed for that purpose, and its organisation seems to meet the want which has been so long experienced in this respect. The National Safe Deposit Company has erected a building in Queen Victoria Street, on the site adjoining the Mansion House, and has constructed in it a fire and burglar proof

vault, in which Bondholders may either hire safes for their own use, or deposit their securities.

It has also been proposed by a member of the Stock Exchange to lessen the risk attending dealings in securities to bearer, by substituting for them endorsed certificates (stating the nature and value of the securities) issued by the Bank of England on the bonds being deposited with them. Should the Bank of England not wish to undertake this duty, perhaps the Safe Deposit Company, or some similar institution enjoying public confidence, may be induced to assume that responsibility.

Mr. William Westgarth, a Member of the Corporation, on behalf of his clients interested in Colonial securities, continues to press the subject on the Australian Governments, and has favoured the Council with the following observations.

"This question is daily more urgent in the interests of permanent investors and trusts, whom the bearer form of stock, now so universal for the sake of the Stock Exchange, does not suit. The case may be briefly presented thus:—

"The Stock Exchange is indispensable as the wholesale buyer of new loans, and the bearer form best suits its temporary dealing or pledging purposes. Stock in that form has the transfer economies and facilities of bank notes. But to the repurchasing investor this unprotected form is not suitable, and all its marketable facilities are only causes of anxiety. To add to the investor's trouble, the law has lately assured him that his bankers are not responsible for safe custody.

"The question is—how to meet the investor's convenience without trenching on that of the Stock Exchange?

"The issue of a loan in partly registered partly bearer stock, does not satisfy the case. The registered portion re-

tains its disadvantage, and the whole loan is less marketable by want of uniformity.

"To surrender the bearer stock for a reissue of registered has been often tried, but without much effect, as it is too cumbrous and costly. Some disadvantage here has been obviated by the suggestion of Mr. Brance, of the Stock Exchange, that the issuing parties compound at the first for transfer stamp duties. They are to be reimbursed, or more than reimbursed, by the additional value given to their issues. This plan is now being tried with the £4,000,000 Dominion Loan issued last summer. But even here, besides the loss of the 2s. 6d. per cent. of bearer bond stamp, there is the exchange of the obligation documents, which is a risk and responsibility that most of the outside and distant issuing Governments will not encounter. This surrender of documents is also in general a difficulty with investors, and in trust cases especially.

"The following plan, which I have long since proposed to the Australasian Colonial Government, whose stocks are now so important an item of our market, seems to me to have fewest difficulties:—

"This is simply to register and unregister the original bearer bond. The appointed registrar may, when required, enface the bond conspicuously with the word "registered" and make an endorsement of particulars. Subject to certain precautionary formalities, he may, with like simplicity, discharge the bond from the register, and all this at some quite nominal cost. The registration being for holding, and not transfer, there is no transfer stamp duty, and upon deregistration the bearer character is restored, and the original stamp keeps in force.

"This plan is not quite free from difficulties, for the Stock Exchange prefer the 'clean bond,' and they object to the vista of possible trouble about verifying registration. Both

points merit consideration, and on the other hand the Stock Exchange owe something to the convenience of their great customer, the public. The first difficulty may be met by restricting the registration privilege to the larger bonds, say, at first, of £1,000, and the second might readily be adjusted by the privileged arrangement of 'the House' with its own members."

UNCONVERTED BONDS.

The Council have, in the general interest, maintained that no Government shall arbitrarily cancel its obligations toward a contract creditor on the ground of prescription of time, or non-compliance with administrative requirements and restrictions, and that the most ample time shall be given for effecting conversions of securities.

The attention of the Council has been chiefly directed to the various classes of remnants of old Colombian and New Granada securities unconverted, and the Council are now endeavouring, in concert with the Government, to provide that in the conversion now proceeding under their joint direction, a reserve shall be made for such claims remaining unadjusted.

The Council have also, through the non-official intervention of the Foreign Office, pressed on the Government of Salvador claims still unsatisfied.

Applications from the holders of old unconverted Spanish Certificates have also received due consideration.

DISPUTED BONDS.

The Government of the United States of Colombia having contested the validity of the Five per Cent. Loan of 1868,

the Council, on the requisition of the holders, have continued to press the subject on the attention of the Colombian Legation in London, and of the authorities at Bogotá. The Council are able to announce that a large proportion of the Bonds has been already provided for.

This important service has been rendered to the Bondholders gratuitously by the Council.

The Council have brought before the authorities of Guatemala a claim in relation to the balance of a small loan for the construction of a pier, for which bonds remain in circulation, while the claims of the parties to whom they were issued are contested by the Guatemala Government.

CERTIFICATES.

The certificates issued by the Council for Anglo-Austrian Bonds and for Turkish 1862 claims have been redeemed.

The Council have continued to issue certificates of deposit for Alabama and Chattanooga Railroad Bonds.

Certificates have also been issued in reference to the conversion of New Granada Bonds into Colombian $4\frac{1}{2}$ per cent. Bonds, including Colombian Land Company Certificates, fractional parts of $4\frac{1}{2}$ per cent. Bonds, and certificates of claims for coupons in respect of the Colombian Land Stock. Most of the certificates issued have been already converted.

Application has been made to the Council for the issue of certificates of claims, in case the Government of the State of Louisiana should persist in the enforcement of the late arbitrary and unjust funding measure of the Legislature of that State.

ARREAR COUPONS.

The arrangement made by the Council for arrear coupons of the Guatemala Six per Cent. Bonds has continued to proceed satisfactorily. The instalments of the Treasury Bills have been duly realised and remitted to Messrs. I. Thomson, T. Bonar, and Co., who have disbursed the same. The Council continue to watch the operation with the view of cashing the balance and distributing it as early as possible.

The arrangement for the Spanish coupons has been already duly detailed.

Several similar negotiations, which have however not yet been brought to an issue, have engrossed the attention of the Council.

OBITUARY.

The Council deeply regret to have to report that during the past year death has deprived them of the services of some most valued colleagues and coadjutors.

Major-General Beaumont, who died in September last, was a leading Member of the Foreign Bondholders' Association from its formation in 1868. He took a leading part in the deliberations of the Council, and, though in impaired health, was to the last most assiduous in his attention to the work of the Committees of which he was a Member.

Mr. Samyntas Stannah, a Permanent Member of the Corporation, and a leading Member of the Spanish and the Roumanian Committees, afforded valuable assistance to the Council.

Mr. E. T. Wilson, LL.D., a Member of the Joint Commission for the Ottoman 1858 and 1868 Loans, died, after a short illness, in Switzerland, deeply regretted by his colleagues.

Mr. Edward Aubrey Moriarty joined the Corporation as a Permanent Member in 1874. As Foreign Law Adviser to the Council, he took a leading part in the labours of the Alabama and Chattanooga Committee, besides devoting his attention to many other questions of great interest to the Bondholders. He died suddenly in July last, very much regretted by those who had opportunities of cultivating close personal relations with him.

CONCLUSION.

In dealing with a subject so vast in its details, and so important by reason of the magnitude of the material interests involved, the Council desire to observe that within the compass of an Annual General Report it is obviously impossible to do more than recapitulate briefly the principal transactions and negotiations which have come under the official notice of the Council, and in which they have been engaged on behalf of Foreign Bondholders during the past year.

In an institution still almost in its infancy, such weight of authority and completeness of organisation are not to be expected as lead to the immediate accomplishment of great results ; especially when, as is the case with the Council of Foreign Bondholders, a daily increase in the subject matter claiming the exercise of its functions renders it difficult to cope adequately with an accumulating mass of correspondence and a lengthening array of vast and varied

financial details. Every effort will, however, continue to be made to carry out to the full the objects for which the institution has been incorporated. In this the Governing Body are assisted by an official staff, of which it is not so much the object of the Council to increase the numerical strength, as to encourage in its members the cultivation of thorough efficiency and zeal. With such means as they have at their disposal the Council will seek to promote to the utmost the sole object they have in view, namely, the best interests of the Bondholders, and they feel assured that in carrying out their endeavours they may rely in the future, as they have done in the past, upon the cordial co-operation and support of the Bondholders themselves. With that support the Council believe that important results will continue to be achieved ; without it the best efforts of the Council would be but labour in vain.

By Order of the Council,

I. GERSTENBERG,

Chairman.

HYDE CLARKE,

Secretary.

COUNCIL OF FOREIGN BONDHOLDERS,
COUNCILHOUSE, 10, Moorgate Street, London, E.C.

9th February, 1875.